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D 8523 B

India: Mrs Gandhi reflects on her future, Page 14

NEWS SUMMARY

GENERAL

German and U.S. jobless rise

Unemployment in West Germany reached a post-war peak of 2.54m, 10.4 per cent of the working population, last month, the Federal Labour Office reported yesterday. It said that the seasonal trend in unemployment figures over the past few months indicates that next winter's total will be higher. Page 3

In the U.S., new claims for unemployment benefit totalled 592,000 in the week to February 19, up 30,000 on the previous week. Green light for economic recovery, Page 4

In the UK, the unemployment figure last month was 3.2m. This was 13.7 per cent of the workforce against 12.8 per cent in January. The underlying trend continues upwards, however.

West Bank raids

Israeli police raided Jewish settlers' homes near Hebron in the West Bank after shootings and a bomb attack against Palestinians in the past week.

Lebanon 'connivance'

The Soviet Union accused the U.S. of connivance at Israel's invasion of Lebanon last June to establish a long-term U.S. military presence there.

Labor set to win

Australian opinion polls all say that Bob Hawke's Labor Party will win the general election tomorrow. Fraser attack, Page 4; Men and Matters, Page 14

Pretoria arms finds

South Africa said large quantities of arms and explosives, mainly of Communist origin, were seized at 20,000 road blocks last year, mostly in Natal.

Astiz visa refused

Argentine naval officer Alfredo Astiz, wanted by France and Sweden last year for questioning about the deaths of some of their people in Argentina, was refused a tourist visa to South Africa.

Videos stolen

Thieves stole 150 of the first video records to be made at Hanfleur, France, by the Japanese company Akai.

Koestler dead

Hungarian-born writer and journalist Arthur Koestler, 77, and his wife Cynthia were found dead at their London home. His books, including 'Darkness at Noon', based on the 1930s Stalin purges.

Troops in Assam

Troops were deployed in seven districts in Assam state after renewed violence in which at least 50 died. Page 4; India to buy Jaguar fighters, Page 6; Interview with Mrs Gandhi, Page 14

Strike hits Citroen

Citroen's car plant at Aulnay near Paris was hit by a strike for the second day over the sackings of 12 workers after a fight last month.

Briefly...

Zambia's Higher Education Minister Remy Chisupa died in a London hospital from an undisclosed cause.

Torrential rains in Australia were doing little to ease the country's worst drought. Page 29

A 400m world campaign to fight childhood diseases in developing countries was announced.

Portuguese car rally's second leg was cut short at Foz de Varzim by glass workers protesting at a planned factory closure.

BUSINESS

DM120m boost for Hapag-Lloyd

THE THREE MAJOR shareholders in Hapag-Lloyd, sailing West German shipping and travel group, are to put DM 120m (\$40.6m) into the company. Hapag-Lloyd is to write down its capital by DM 60m to DM 120m. Page 16

DOLLAR lost ground on uncertainty caused by the Opec meeting and next Sunday's West German general election. It closed at DM 2.425 (DM 2.4315), FF 6.574 (FF 6.5925) and £238.25 (£237.1). It rose slightly to SwFr 2.853 (SwFr 2.8515). Its trade-weighted index was 129.2 (129.5). Page 32

STERLING finished higher at \$1.512, a rise of 65 points, DM 3.67 (DM 3.6625), SwFr 3.11 (SwFr 3.09), FF 16.465 (FF 16.375) and £358 (357.5). Its trade-weighted index was 78.6 (78.6). Page 32

GOLD rose \$2.5 to \$430 an ounce in London. In both Frankfurt and Zurich it was \$9.5 up at \$429.5. Page 29

FRANKFURT: Commerzbank index added 6.7 to 318.4. FAZ index rose 1.81 to a record 272.45 on hopes of a conservative win in Sunday's general election. Pages 25, 28

TOKYO: Nikkei Dow index fell 8.23 to 8,065.02. The Stock Exchange index edged up 0.32 to 589.31. Page 25, 28

HONG KONG: Hang Seng index shed 25.38 to 1,002.74. Pages 25, 28

AUSTRALIA: All Ordinaries index was 7.8 up at 506. Pages 25, 28

WALL STREET: Dow Jones index closed 3 up at 1,138.06. Page 25. Full share listings, Pages 25-28

LONDON: FT Industrial Ordinary index closed 10 higher at 681.5, mainly on confidence about the weekly economy. Gilts: large rise by 28 pips as 3% shorts by 1/4 Page 25. FT share information service, Pages 30, 31

MEXICO signed the \$5bn six-year loan from international banks which forms a key part of its debt rescue package. A first \$1.7bn instalment will be drawn on March 14.

SPAIN was said to have cleared the way for four foreign banks to set up branches there. Page 16

PORTUGAL asked international bankers to submit terms for a \$400m to \$500m Eurocredit intended to meet part of its \$3bn foreign borrowing this year. Page 17

SOUTH AFRICAN banks are to lower prime lending rates by 2 percentage points to 14 per cent on Monday, the second cut in less than a month. Page 4

WORLD OIL PRICE fall is likely to delay further contract negotiations between foreign oil companies and China to exploit China's offshore reserves. Page 6

LONDON High Court refused to grant two London companies orders requiring a Liechtenstein trader to produce accounts on amphetamine dealings. Page 28

ITALY plans spending cuts and adjustments to cut the expected 1983 public sector deficit by some £8,000m (\$4.3bn). Page 2

DUTCH industrial energy costs will be reduced to those applying in West Germany after an agreement between the gas authority and electricity producers. Page 2

NEW ORLEANS appeal court rejected Pacific Southwest Air's attempt to take over some domestic routes of Braniff, which filed for bankruptcy in May. Page 17

UK COMPANY assets fell by more than £1bn (\$1.5bn) last year. Page 29

HOWARD SMITH, Australian coal to sugar shipping group, reported profits down from A\$25m to A\$17m (\$16.7m) last year. Page 18

Opec ministers to meet again in bid for price pact

BY ROGER MATTHEWS, MIDDLE EAST EDITOR, IN LONDON

Eight ministers from the Organisation of Petroleum Exporting Countries (Opec) failed to agree yesterday on a pricing and production pact aimed at preventing a collapse in world oil prices. They are due to meet again in London today.

Ministers had little to say after five hours of talks, despite earlier predictions from Sheikh Ahmed Zaki Yamani, Saudi Arabia's Oil Minister, that they were on the verge of an agreement.

Dr Mansour bin Jaber, the United Arab Emirates' Minister, at whose London house the talks were held, would say only that he hoped an agreement could be reached.

The main difficulties appear to have been the attitudes of Iran and Nigeria. Iran's total opposition to a cut in the \$34 a barrel Opec reference price was forcibly put by Mr Kamal Hassan Maghauri, the Libyan Minister, who made an unexpected appearance at the talks.

He also said Iran wanted a production quota of 3m barrels a day, which is well above even its current output level. An Iranian delegation may attend today's talks.

Mr Yahya Dikko, the Nigerian representative, was reported to have indicated strong resistance to suggestions that Nigeria should modify its announced \$5.50 cut as part of a realignment of prices. He insisted that Nigeria would act only

within the context of a firm global agreement.

The proposal put forward by Saudi Arabia and the Gulf states is that the Opec reference price should be cut by \$4 and that Nigeria should trim its reduction by \$1.5. This would provide for a Nigerian price of \$31.50 for its superior quality Bonny light.

The Nigerians have insisted that they can not accept less than parity with Britain's North Sea crude, which under proposals by the British National Oil Corporation will be priced at \$30.50.

Dr Humberto Calderon Berti, the Venezuelan Minister, who has been acting as the principal Opec conciliator, held 30 minutes of talks with Mr Nigel Lawson, the British Energy Secretary, yesterday morning.

After the Opec talks Dr Oteiza went to see Mr Lawson, who is understood to have reaffirmed his Government's refusal to become involved in any formal pricing or production agreement.

Dr Calderon emphasised his belief that unless an Opec agreement

was reached, preferably accompanied by an understanding with non-Opec producers, then Saudi Arabia and the Gulf states were ready to slash their prices by \$7 a barrel.

Mexico, the other key non-Opec member which has been involved in the last two weeks of intensive consultations, has delayed deciding on the size of its price cut. Mexican representatives attended yesterday's talks as observers.

If a framework agreement is reached today, the ministers expect to move on to Lausanne for an extraordinary Opec meeting starting on Sunday or Monday.

Francis Ghiles writes: Mr Belkacem Nahi, the Algerian Oil Minister, said after yesterday's talks that the industrialised countries would be wrong to think that if the oil price fell they would derive anything but short-term benefit.

"It would be in the interest of the industrialised world to put some order into the oil market and put an end to manipulations which relate to the spot market and the use to which oil stocks are put," he said.

Klöckner gets DM 100m guarantee from CRA

BY JAMES BUCHAN IN BONN

CRA, the Australian mining and metals group, is guaranteeing DM 100m (\$41m) in new equity to be pumped into Klöckner-Werke, the West German steelmaker currently experiencing liquidity difficulties.

Under an agreement announced by Klöckner yesterday, CRA will guarantee a special DM 100m issue of convertible loan stock, secured against unspecified Klöckner assets. The stock will run until 1993 but will be convertible into equity from 1985 in the light of developing business co-operation.

The two companies have been formally linked since 1981, and yesterday's move follows only three days after CRA had announced in Melbourne that it was making an initial payment of DM 25m towards extending the original technology-sharing agreement. It will now be developed so as to give CRA the entire range of Klöckner's steel-making processes. Rio Tinto-Zinc, the

UK-based mining group owns 57.2 per cent of CRA.

Under the original agreement, CRA took a 50 per cent stake in Klöckner's coal gasification subsidiary and the two companies formed a company based in Singapore to investigate opportunities for further marrying Klöckner technology with CRA's strength in raw materials. The new agreement is believed to cover supply of basic materials for Klöckner's main steelmaking plant in Bremen. CRA, through its control of Hamersley deposits in Western Australia, is among the world's largest iron ore producers.

Klöckner has been the object of intense speculation in West Germany since January, when it petitioned the Bonn government for some DM 400m in immediate aid. Yesterday the company also announced a reduction in its net loss during the financial year ended last September 30 to DM 48m from DM 67m the previous year, although in

common with other German steel companies, it is thought to have been losing heavily on production since then.

Klöckner, which is seeking to take part in a wide-ranging merger plan for the German industry put forward in January, has met strong resistance from its chief proposed partner, Hoesch of Dortmund, ostensibly because of its financial position. However, Klöckner yesterday rejected as "complete rubbish" a report that it would seek a court-supervised settlement of its debts after Sunday's general elections.

CRA last week reported a net loss of A\$13.6m for the full year 1982, compared with a A\$33.1m profit in 1981, although the trading position strengthened in the second half of the year.

In a separate move yesterday, Klöckner announced that it had broken off its profit and loss-sharing agreement with the Maximilian Hütte steelworks in Bavaria.

Deal near on airliner engine

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

A MAJOR new five-nation, seven-company collaborative arrangement to develop a \$1.5bn aero-engine of future 150-seat jet airliners has now become much closer.

In the past few days Rolls-Royce of the UK and Pratt & Whitney of the U.S. have achieved a major breakthrough on the potential power-sharing, whereby each would have about 50 per cent of the work and put up a corresponding amount of cash.

The remaining 40 per cent would be divided among the other prospective partners - three Japanese aero-engine companies, Fiat Aviazione of Italy and West Germany's Motoren und Turbinen Union (MTU).

The Rolls-Royce/Pratt & Whitney agreement was first achieved at engineer level, and has been approved by both companies' top managements in the past few days.

Mr Robert Carlson, president of Pratt & Whitney, has been in London this week for talks with Lord

McFadzean, chairman of Rolls-Royce.

Although both companies remain reticent about the breakthrough - as yet there are no signatures on anything - there is no doubt that they feel much more confident about a collaborative venture than even a few weeks ago.

Both stress there is still much more work to be done but the general belief is that a final agreement among all the partners can be achieved by mid-year. The major tasks now are three-fold.

The first is to decide how the remaining 40 per cent of the work will be spread between the three Japanese aero-engine companies (Ishikawajima-Harima Heavy Industries, Kawasaki Heavy Industries and Mitsubishi Heavy Industries), Fiat Aviazione and MTU.

The plan must pass the obstacle of the U.S. Justice Department, which controls the operation of the U.S. anti-trust laws.

Rolls-Royce must also convince

the UK Government that the plan is sufficiently soundly based to justify granting the necessary launching aid, amounting to between \$400m and \$500m for Rolls-Royce's share.

Pratt & Whitney would find its share of the cash from its own resources.

Under the Rolls-Royce/Pratt & Whitney agreement, Rolls-Royce will build the "front end" of the engine, covering the wide-core bladed fan, low-pressure compressor and low-pressure turbine, in the technology of which Pratt & Whitney recognises Rolls-Royce to lead the world.

Pratt & Whitney will undertake the engine's "core" or "hot" parts, such as the combustion chamber. Both companies will draw extensively on existing experience - Rolls-Royce on the work it has done on the RJ-300 engine with its Japa-

Continued on Page 16

Gulfstream order, Page 6; men and matters, Page 14

Reserves fall could threaten Chile's solvency

By Anatole Kaletsky in Santiago

CHILE is continuing to lose foreign currency reserves at a rate which could endanger the country's solvency despite the three-month debt moratorium on repayments of principal to banks agreed by the Government and its international creditors in January.

This conclusion is being drawn by growing numbers of bankers and economists in Santiago who detect signs of alarm and confusion in the Government after a fall of more than 10 per cent in the peso/dollar exchange rate during the past two weeks.

The abrupt fall in Chile's reserves is likely to be the central issue in the new round of negotiations which began yesterday between the Government and the International Monetary Fund (IMF). The reserves are far below the target agreed with the IMF in December.

In the face of persistent fears of a significant official devaluation, the central bank late on Wednesday, issued a request for all domestic banks to observe the official "reference" exchange rate of 75 pesos to the dollar in their foreign exchange dealings.

The market rate has risen more than 90 pesos in recent days and despite the central bank's request there has been no indication of how the authorities intend to intervene in the foreign exchange market to preserve the official rate.

The central bank's foreign exchange request followed another unusual instruction issued earlier this week. This called on local banks to stop all principal repayments to any foreign bankers which were refusing to renew short-term lines of credit to Chile.

This instruction was presented as no more than a reaffirmation of the debt moratorium agreed with the foreign banks in January.

The fact that the instruction was heavy-handed and that it was imposed unilaterally without consulting the advisory committee of 12 international banks leading the rescheduling talks in New York, could create a new psychological obstacle to a debt agreement.

Leading Chilean bankers are saying privately that they will

Continued on Page 16

Caceres profile, Page 4

EEC expects Japan to raise price of VCRs

BY JOHN WYLES IN BRUSSELS

THE EUROPEAN COMMISSION expects Japan to be ready before the end of March both to raise the selling prices of its video cassette recorders (VCRs) in the EEC and to restrain total shipments to Community countries.

Few details are yet available of how the controversial agreement negotiated in Tokyo last month will work in practice. European manufacturers and trade officials in Community governments are concerned about the lack of information.

French officials said yesterday in Paris it was "fairly disquieting" that there was so much imprecision about the detail of the accord.

Grundig, the West German consumer electronics group, said it had still not received the written details about the agreement with the Japanese on VCR sales, for which it had asked. It now expected the details by the middle of next week.

The Commission itself has been slow to grapple with the nuts and bolts of the accord and is waiting for Japan to come up with a plan for implementing it.

Officials claim they can do little else since the whole arrangement is based on Japanese undertakings which have to be unilateral, in order to satisfy the rules of the General Agreement on Tariffs and Trade (GATT).

Moreover, they say, contacts with Tokyo have produced assurances that the Government will have is-

sued its manufacturers with the necessary administrative guidance on prices and quantities before the end of March.

Japan has undertaken to limit its VCR shipments to the Community to 4.55m units this year and to guarantee a market for 1.2m units produced by European manufacturers.

At the same time it promised to operate a "floor price" system to align the prices of ex-factory Japanese VCRs with their ex-factory European equivalents - that is those produced by Philips and Grundig.

The Commission has not, apparently, taken a position on the extent to which the prices of Japanese VCRs will need to be raised. Grundig and Philips, which have both had to reduce their prices in recent months to meet Japanese competition, are insisting that they must be able to raise their selling prices as a result of the agreement.

But they will not withdraw anti-dumping complaints against Japanese manufacturers until they are satisfied with the proposed selling prices.

Commission officials acknowledge that the administration of the agreement may produce any number of problems but they claim that these can be dealt with through the regular contacts between officials charged with making the work.

For example, there can be no cer-

Continued on Page 16

UK car unions in imports compromise

BY OUR POLITICAL AND LABOUR STAFF

A COMPROMISE package of proposals aimed at lifting the threatened union ban on the import of General Motors' S car was reached at talks in London yesterday.

It remains up to workplace votes by Vauxhall's 20,000 employees to decide whether the peace formula is accepted.

Mr Gerry Russell, senior negotiator for the Amalgamated Union of Engineering Workers, said last night he believed the company's assurances that there will be no loss of jobs or earnings would be accepted by the three unions involved.

He expressed serious reservations, however, about the formula which failed to give any commitment to move General Motors' UK

operations over from assembly to manufacturing.

"Certainly they have safeguarded some jobs but quite frankly we are most unhappy that GM is not treating British car workers as responsible manufacturing workers."

It is understood that as part of the package GM has given a firm undertaking that the T-85 - the refurbished Astra - will be assembled at its Ellesmere Port plant in 1985.

The company is also believed to have promised not to dismiss a number of workers regarded as surplus.

The three unions - the Transport

Continued on Page 16

UK motor trade account in red, Page 7; editorial comment, Page 14

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EUROPEAN NEWS

Ins and outs of electoral system has many people in a spin

BY JONATHAN CARR IN BONN

PITY THE West German voters. For one thing, they are having to turn out on Sunday for their second general election in a little over two years. Normally, another national poll would not be due until autumn next year, but the collapse last September of Chancellor Helmut Schmidt's centre-left coalition meant the date was advanced.

For another, the West German electoral system is one of the most complicated in the world.

As is usual shortly before elections here, shocked politicians are brandishing opinion polls showing many people do not know the ins and outs of the system. The leaders of the small, liberal Free Democrat Party (FDP) are expressing the most worry—for reasons which will be made clear.

The key features of the system are the "second vote" and the "5 per cent hurdle." Every West German citizen above the age of 18 (that is 43.4m people) has two votes. The first goes to a candidate in his constituency who is elected by a simple majority—the "first past the post" system.

Half the deputies in the Bundestag (the lower house of the federal Parliament) are elected this way—that is 248 from a

WEST GERMAN ELECTIONS



March 6

total of 496. One could call it the "personal vote" because many candidates tend to get in not because of their party affiliation but because of their individual qualities.

The second vote is given to a party rather than a person and decides the final parliamentary balance of power. The second votes for each party are counted and seats are divided proportionately. Each party has lists of candidates for the seats available. The lower you are on the list, the less chance you have of getting into Parliament.

The 5 per cent hurdle means that no party which fails to gain at least 5 per cent of the second votes (or at least

3 of the direct mandates) can be represented in parliament. That explains the concern of the FDP (junior partner in the present centre-right coalition just as it was, until last September, in the centre-left alliance).

The FDP has won no direct mandates since 1957 and thus has always entered Parliament—and government—on the strength of its second votes alone. Opinion polls show the party now hovering dangerously close to the 5 per cent mark, and thus no far from extinction as a parliamentary force.

The system means, of course, that West Germans can "split" votes—perhaps voting for a local Christian Democrat (CDU) candidate with the first ballot, but for the FDP with the second. At present, it looks as though about 10 per cent of voters will be "splitting." But only on Sunday night will we know what combination they finally choose.

Voters on Sunday have 13 parties to choose from, but only five have a real chance of gaining Bundestag seats.

The "Big Five" are: ● Christian Democratic Union (CDU). Gained 34.2 per cent of the vote at the last general election and operates as a single parliamentary group in

Unemployment at post-war high

UNEMPLOYMENT in West Germany hit a new post-war peak in February at 2.54m or 10.4 per cent of the work-force, the Federal Labour Office reported yesterday. Writes Stewart Fleming in Frankfurt. Moreover, the seasonal trend in the unemployment figures over the past few months indicates that, next winter, the jobless total will rise even further.

Herr Josef Stügel, head of the office, warned against "illusions" about the labour market prospects. People should be perfectly clear that nobody is expecting in a short period an economic upturn which will be strong enough to reduce unemployment.

Bonn with the Bavarian Christian Social Union (CSU). The CDU leader is Herr Helmut Kohl, who overturned Herr Franz Josef Strauss from one Bavarian victory to another. It only puts up candidates in its home state, while the CDU puts up some there. In contrast to Herr Kohl, the CSU thinks little of the FDP and would

like to see it out of the Bonn coalition. The CSU swept Bavaria in the 1980 election, giving it, proportionately, 10.3 per cent of the national vote. ● Social Democratic Party (SPD). Gained 47.3 per cent of the vote in 1980. The recreation of the party the same name outlawed in Hitler's time. Held power for 16 years continuously

Most economic analysts would agree with the Federal Labour Office, however, that even assuming the economy does begin to turn up—which is still not certain—the recovery will be weak and will not appear until late in the year. Therefore, a further rise in the jobless total above the 2.5m mark can be expected.

In the next few months, however, seasonal factors should lead to an improvement. February's unemployment figure is slightly up from the 2.5m (10.2 per cent) reported in January, but 600,000 higher than the figure reported in February 1982.

His remarks and the warnings about the outlook for next winter will not be welcomed by Chancellor Helmut Kohl and his Christian Democratic Union (CDU) on the eve of Sunday's general election.



Herr Genscher... some 80 appearances

East Berlin attacks Kohl and supports Vogel

BY LESLIE COLT IN BERLIN

EAST GERMANY and the Soviet Union have voiced strong opposition to an election victory by Herr Helmut Kohl, the conservative West German Chancellor, while indicating their support for Herr Hans-Jochen Vogel, his Social Democratic (SPD) rival.

The main East German newspaper, Neues Deutschland, yesterday sharply attacked Herr Kohl for an alleged statement that if his party were to win the election he would oppose improved relations with East Germany. The newspaper said that Herr Kohl's Christian Democratic Party's views Bonn's goodwill treaties with Moscow, East Berlin, Warsaw and Prague as "provisional" and regards Germany's borders of 1937 as still valid.

The East German broadsheet came after Herr Kohl had said that relations with East Germany could not be regarded as normal, as long as the freedom

of East Germans was restricted. He said the Berlin wall and barbed wire were a "source of tension."

Neues Deutschland indicated East Germany support for the Social Democrats by publishing a lengthy account of a news conference by Herr Willy Brandt, the SPD chairman, to which he called on Washington to respond to Moscow's proposals on reducing the number of medium-range nuclear missiles in Europe.

In the Soviet Union this week, workers' meetings appealed to West Germans to resist the stationing of new U.S. missiles in the federal republic. Tass news agency said that Soviet coal miners, in an appeal to West German workers, said Washington was turning them into hostages of a "wild nuclear strategy and into the targets of a forced retaliatory strike."

Protesters go on trial in Poland

By Christopher Robinski in Warsaw

THE TRIAL opened yesterday at the northern Polish town of Elblag of five people interned under martial law. They are charged with organising protests while detained last summer.

Police brutality at the Kwidzyn internment centre last August led Cardinal Jozef Glemp, the Polish primate, to protest publicly and the International Red Cross to take a special interest in the case.

Attempts at the time by the authorities to tighten up regulations at the centre sparked a mass protest by internees when they were denied visits by their families. The demonstrators reportedly were severely beaten by camp guards.

The five on trial include Mr Zygmunt Galuski, leader of the nationalist "Confederation for an Independent Poland."

Meanwhile, the underground, Tygodnik Wojeńny (War Weekly) news sheet has published an interview with one of the 1,000 or so people sentenced under martial law which paints a sombre picture of morale among political prisoners.

It also reveals that the prisoners feel that they have been neglected by the underground and have attended less attention than the internees who were finally freed just before Christmas.

In the absence of the amnesty demand by the Roman Catholic Church in connection with the Pope's visit next June, the authorities have said they will consider individual appeals for clemency.

The Government says some 1,500 such requests have been made. The Council of State has issued 70 positive decisions so far, and 200 are awaiting decision.

Some members of the banned Solidarity movement have refused to ask for clemency on the grounds that this would provide a moral victory for the authorities. But the Tygodnik Wojeńny interview warns against using the issue "to generate feeling at quiet moments by underlining super-heroic postures."

The prisoner, identified only by his initials, adds: "I think that those who can get out should do so, morale is not very high in prison and the stay there is destroying people."

Genscher treads middle road across nation

BY JAMES BUCHAN IN BONN

THE FREE DEMOCRAT leader, Herr Hans-Dietrich Genscher, does not need notes to make an election speech. At times his blue eyes lose focus as if his thoughts have drifted miles away from the smoky pub or neat church hall where an attentive audience eagerly awaits his words. Could this be exhaustion?

By polling day on Sunday, Herr Genscher, who is 56 this month will have made over 80 appearances up and down West Germany to remind voters they need his FDP in parliament and government to keep Bonn firmly committed to middle-of-the-road policies.

Yet Herr Genscher, the world's longest-serving foreign minister after Moscow's Andrei Gromyko, is a pathological foreign traveller.

In Coburg on Monday, on the second leg of a typically frenetic Genscher dash across the Protestant north of Bavaria, a

vantage point three feet from the lectern provided the answer.

Herr Genscher's eyes are those of an actor whose part in a long-running thriller has become second nature. He can switch off when he wants to. Herr Genscher, after 14 years in Cabinet, survives on automatic pilot.

He is a mechanical speaker and, between the smoked beer of Bamberg, Prince Albert's obituary and the ball bearings of Schweinfurt, he hardly altered his speech.

Surprisingly, for a party fighting for 5 per cent of the vote to survive in parliament, there were few empty chairs.

Political philosophy does not suit a party which in September swapped a Social Democrat for a conservative coalition, was damned for treachery and lost its left wing in the process.

Instead, Herr Genscher offers his party as the defender of the social market economy and of a "continuity" in foreign

policy. Both are embodied in his own cautious and unexciting personality.

At the end of each speech, Herr Genscher's eyes refocus. He raises his right hand in a Churchillian victory salute. He summons the jollity of a comic-book fat man. "Remember this sign on March 6," he says. "It means victory and second vote."

This is the key designed to unlock another four years in government for the FDP.

In West Germany's federal elections, the first vote is for the constituency candidate and the second for a party list. The FDP has not had a constituency candidate directly elected for 25 years but it is the share of the total second votes cast that gives each party its share of the Bundestag seats. These are filled first by the constituency winners and then by the top names on the list.

Party workers explain that at least half the electorate does not understand the overriding importance of the second vote.

By concentrating on safe conservative seats, where the constituency election is a foregone conclusion, the FDP is trying to exploit divisions between the two conservative parties to gain the second vote.

Herr Genscher is, in effect, calling on Christian Democrats to hand their second vote to the FDP to prevent Herr Franz Josef Strauss and ministers of the Bavarian Christian Social Union becoming too great and Right-wing a force in the coalition.

Herr Genscher says he is "confident rather than cocky." The Christian Democrat leadership, which understands the second vote, is beginning to show signs of being rattled. Unlike the faithful following of the Greens, who are increasingly despondent about their prospects of making a mark in the industrial state of North Rhine-Westphalia where a quarter of Sunday's voters live, the FDP workers think they have made it.

BREAKTHROUGH: LETS HORNETS LAND LIKE GRASSHOPPERS

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We're creating breakthroughs not only in aerospace but also in health care, information processing, and space exploration. That's the Douglas way.

DOUGLASS



AMERICAN NEWS

Reginald Dale, U.S. Editor, watches as spring fever hits Washington

'Green light' for economic recovery

SPRING FEVER hit Washington yesterday. The temperature hunched into the seventies, the last streak of snow melted and the Reagan Administration declared that the long economic recession was over.

The most important harbinger of fairer weather was a report that the leading economic indicators had soared by an unusual 3.6 per cent in January, the highest increase in more than three decades.

The indicators "flashed a bright green light for recovery," said President Ronald Reagan, in California to entertain the Queen. "I think I've seen enough evidence to declare the recovery under way," Mr. Donald Regan, the Treasury Secretary, said.

It is not the first time the Administration has made such noises. Indeed, it has been predicting recovery for so long that many people have almost stopped believing it.

Mr. Martin Feldstein, Mr. Reagan's chief economist, preferred to err on the low side for fear of falling into the same trap of predicting recovery too soon.

Two months ago, he put the official year-on-year growth forecast for the fourth quarter of this year at a modest 3.1 per

cent, just about the lowest estimate available.

He too, however, is now beginning to adjust his sights upwards. Recent economic statistics had convinced him that the recession hit bottom in December, and January was the first month of recovery, he declared.

Mr. Regan said he expected that growth would exceed the official 3.1 per cent forecast, and Mr. Feldstein is now talking of up to 5 per cent. The National Association of Manufacturers is also revising its forecasts upwards, though more cautiously.

The traditional evidence seems to be there. Construction spending rose by almost 9 per cent in January, the highest increase since 1966. Nine out of 10 of the leading indicators, including the money supply, new orders for goods and materials, stock prices and the average working week, all contributed to the latest upsurge.

The fourth quarter of last year brought a sharp decline in business inventories when sales of goods outpaced production, suggesting that production must now increase.

Most of all, however, the Administration has been reacting with concealed glee to the misfortunes of Opec and

the drop in international oil prices.

There is a major element of "yah-hoo-sucks" in the U.S. attitude, by no means limited to the Administration itself.

Third world countries, it is held, are not meant to gang up on Uncle Sam, and there is considerable, possibly short-sighted, satisfaction when they come unspooled.

But if that is a more general political point, there is also an economic one. Mr. Regan says that if oil prices come down as much as he suspects, it could add full percentage point to the U.S. growth rate by the end of the year.

Caution, however, is still one of the keywords of the day. "The good news is that it is so much fun to talk about hasn't happened yet," says Mr. Feldstein—although prices at petrol pumps in the U.S. have been falling dramatically and home heating bills have declined.

One of the reasons is the weather. Apart from the occasional snowfall, it has been one of the warmest winters on record, another reason why the construction indices have been looking good in January.

Interest rates are still too high, in the Administration's view, and there is considerable

anxiety that both they and the inflation rate may start to rise again, aborting the recovery.

Mr. Paul Volcker, chairman of the Federal Reserve Board, is fully aware of the danger, and believes it is still too early to predict how long and how strong the recovery will be.

Mr. Malcolm Baldrige, the Commerce Secretary, is more optimistic, predicting a "real bounce-back" in the first quarter. It is almost a year since Mr. Regan, in a phrase he lived to regret, said that the economy was about to come "roaring back".

So, while most people are pretty confident that this time it is for real, many are also keeping their fingers crossed. For President Reagan, in the end, it may be working out much better than he once dared hope.

With unemployment still in double figures, there is still a need for comfort for many Americans in the form of a complicated set of indicators close in January—particularly as unemployment is widely believed to be the last indicator to reflect recovery.

But the upturn, if that is what it is, is running at a good moment for anyone living in the White House who might be considering running for a second term next year.

Canada to use UK help with oilfields

By Carla Rapoport in London

CANADA intends to involve British companies in a \$350m development of its Arctic and offshore oil fields over the next seven years.

In an address to about 300 British manufacturers yesterday, Mr. Gordon Walker, Minister of Industry and Trade for the Canadian province of Ontario, said that about 35 production platforms would be built in Canada between 1983 and 1990, at an estimated cost of \$1bn each.

Most of this development would be undertaken by Canadian companies, but Mr. Walker said that Canada needed a partner with experience of similar developments. Britain's oil industry, he said, "fills that bill perfectly".

The Canadian approach will be welcomed by Britain's hard-pressed offshore supply industry and manufacturers in related businesses. The development of new North Sea oil fields has come to a virtual halt.

The \$350m a year industry is working on orders left over from the late 1970s.

Mr. Walker said Canada was particularly interested in joint ventures with British companies active or potentially active in manufacturing in Canada.

He said his Government wanted to promote a transfer of technology

French investment activity in U.S. slows down sharply

BY PAUL BETTS IN PARIS

THERE was a marked slowdown in the rate of new French investments in the U.S. last year.

This follows a spectacular growth of investment activity in 1981 led by the multi-billion dollar acquisition of Texas Gulf by Elf Aquitaine, the French state oil company, and the takeover of General Portland, the U.S. cement company, by the French Lafarge-Copee group.

In a detailed study of French investment trends in the U.S. market, the French foreign trade bank, Banque Française du Commerce Extérieur (BFCE), blamed in part French credit controls for the slowdown in the country's investments in the U.S. last year.

Until the country's exchange controls regulations, French companies must finance up to 75 per cent of their foreign investments involving more than FF10m (\$145,000) through foreign currency loans with a minimum two-year maturity.

The French authorities, who appear keen to stimulate French investments in the U.S. especially by small and medium sized companies, recently eased the credit regulations for such companies. These concerns can now finance their first foreign investments with 50 per cent foreign currency borrowings.

Foreign investment in the U.S. declined by 22 per cent in 1982 compared with 1981, because of the strength of the U.S. dollar and the high level of U.S. interest rates in the first half of last year. But the French foreign trade bank study suggested that French companies were penalised more than others, not only because of credit controls but because of the particular weakness of the French franc against the U.S. dollar.

Indeed, of 271 new foreign investments in the U.S. last year, only 19 were French compared with 63 by British companies, 44 by Japanese concerns, 41 by West German groups and 37 by Canadians.

The study, which said that about 600 French companies had investments in the U.S. argued for an expansion of French investments in the country to help to improve France's current trade deficit with the U.S. This deficit grew to FF125.4bn last year, with French exports to the U.S. covering barely 55 per cent of U.S. imports to France.

Nonetheless, after trailing behind other Western countries in terms of economic policy in the U.S., France saw its share rise dramatically in 1981 as a result of the Texas Gulf acquisition and the General Portland deal involving Elf Aquitaine and Lafarge-Copee respectively.

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Injunction sought on cheap air fare ban

By Nicholas Hirst in Toronto

CANADA has failed to persuade the U.S. to lift a ban on the use of cut-price air tickets to American cities. About 50,000 Canadian travellers are affected.

Air Canada, which offered the bargain weekend flights earlier this year, was yesterday trying to fight the ban by seeking an injunction in a Washington DC court.

The U.S. Civil Aeronautics Board, backed by President Ronald Reagan, last week banned the use of the tickets. The State Department said travellers using the cut-price fares would not be allowed into the country.

After a flurry of diplomatic activity, the U.S. agreed to suspend the ban while negotiations between the U.S. and Canada over the dispute went on this week. Those negotiations failed on Monday night.

The dispute arose because of a refusal by Canadian authorities to allow the U.S. carrier Continental Airlines to fly to Australia from Canada in competition with CP Air and the Australian airline Qantas.

The Americans banned the use of cheap tickets to try to force Canada to change its position.

The Canadians claimed that their issue had no connection with Air Canada's cheap ticket offer.

S and Ls' new deposits rise by record \$14.51bn

BY RICHARD LAMBERT IN NEW YORK

NET NEW deposits in federally-insured savings and loans associations S and Ls rose a record \$14.51bn (\$19.6bn) in January, mainly as a result of large inflows of money into their new money market deposit accounts.

These accounts, which were introduced in mid-December, are not subject to government-controlled interest rate ceilings.

However, the savings and loans associations, which provide mortgage loans and other forms of consumer credit, are still facing financial pressures.

The Federal Home Loan Bank board said yesterday that the net worth of federally-insured associations fell in January to \$25.33bn, compared with \$25.39bn in December. The number of such associations dropped to 3,331, compared with 3,748 a year earlier.

The board added that the volume of mortgages completed

by federally-insured associations fell to \$5.11bn, compared with \$8.3bn in December. The delinquency rate on mortgages rose to a record 2.5 per cent of the total value of mortgages held by insured associations.

All the same, the savings and loans associations are in far better shape than they were last summer.

The bank board disclosed that federally-insured associations picked up nearly \$43bn in their accounts in January, taking their total money-market deposit balances up to \$76.5bn.

Although balances dropped in a number of regulated accounts as savers switched into higher yielding instruments, several other unregulated accounts showed smaller gains.

Short-term borrowings of the associations fell sharply, down from \$5.34bn in December to \$4.6bn in January.

Fed reports significant U.S. swap line activity

BY OUR NEW YORK CORRESPONDENT

THE U.S. authorities, following a modest level of activity in August and early October, refrained from intervening directly in the foreign exchange market in the period to the end of January.

However, the U.S. has been actively involved in providing short-term swap bridging facilities in the central banks of Mexico, Brazil and Argentina.

In its latest half-yearly report of the U.S. Treasury and Federal Reserve's foreign exchange operations, the Federal Reserve Bank of New York reports that at the end of January, \$73m (\$248m) was still outstanding under a swap line extended to Mexico in early August.

The outstanding drawings amounted to \$45m as part of a \$1.85bn financing programme arranged through the Bank for International Settlements.

The central bank of Brazil had outstanding drawings of \$74m on the U.S. authorities under various swap arrangements at the end of January. In addition, the U.S. has agreed to refinance \$500m of the \$1.45bn credit facility arranged by the BIS in December "in the unlikely event of delayed repayment by the central bank of Brazil."

Although the U.S. did not intervene directly in the foreign exchange markets in early October and the end of January, the Federal Reserve Bank estimates that total intervention by the major central banks in the period amounted to nearly \$26bn.

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The Minister who dissented on the Right

BY MARY HELEN SPOONER IN SANTIAGO

SR CARLOS CACERES, a former president of the Chilean Central Bank, who this month became the country's fourth Finance Minister in less than a year, has assumed his new job with one or two political advantages.

His predecessor, Augusto Pinochet's regime, seeks renegotiation of at least \$2.5bn (\$1.65bn) in foreign debt repayments due this year and in 1984.

Mr. Rolf Luder, the previous Finance Minister, was a former vice-president of Chile's largest conglomerate, the BHC group, whose bank was ordered to be dissolved by the authorities in January. He also faces a suit filed by 15 business and opposition leaders for alleged mismanagement of public funds.

With official displeasure over the conduct of Chile's financial conglomerates mounting, Mr. Caceres is fortunate in holding no direct ties to any of them.

Barely a day after he had been sworn in as bank president in a Cabinet reshuffle last August, he was sent to an international Monetary Fund meeting in Toronto. The switch to the Finance Ministry was abrupt.

Early in the morning of February 12, he was sworn in as Finance Minister, along with five other new ministers. Mr. Luder's appointment of his successor ratified Chile's commitment to free-market economic policies.

Yet some critics of these policies view Mr. Caceres as a hopeful change from the

"Chicago boys," economists, trained at the University of Chicago, who have directed economic policy in Chile since the mid-1970s.

A former businessman and university professor, he holds degrees from Harvard and Cornell universities in the U.S., and seems reluctant to criticise the end of this century. Mr. Caceres raised objections.

"We thought this electoral mechanism could destroy the very system applying it," he recently told El Mercurio, the biggest newspaper. "In proposing this minority view, we were very much aware that Marxist-Leninist thought and activity is, and will continue to be our country's most important enemy."

Mr. Caceres has served on the regime's council of state, helping to draw up Chile's authoritarian constitution which was passed in a controversial plebiscite in September 1980.

When the council was debating timetables for future elections in Chile, Mr. Caceres found himself taking the minority and more staunchly anti-communist view.

Although the council eventually devised a plan, whereby there would be no presidential elections in Chile until at least the end of this century, Mr. Caceres raised objections.

"We thought this electoral mechanism could destroy the very system applying it," he recently told El Mercurio, the biggest newspaper. "In proposing this minority view, we were very much aware that Marxist-Leninist thought and activity is, and will continue to be our country's most important enemy."

Fraser in attack on Labor

By Michael Thompson-Noel in Sydney

MR MALCOLM FRASER, the Australian Prime Minister, claimed yesterday that an Australian Labor Party government would be unstable and undermine business confidence.

Labor is clear favourite to topple the Liberal-National Party coalition in tomorrow's general election.

Mr Fraser's warning followed a Labor front-bench statement that it would "review" the proposed U.S.\$2.4bn (\$1.5bn) takeover of Utah International by Broken Hill Proprietary (BHP)—but that it was probably too late to stop the deal.

BHP is Australia's biggest company. It is negotiating to buy the Utah mining and resources group, which owns huge coal interests in Queensland, from General Electric of the U.S.

Aspersions were cast on the deal on Wednesday by Mr. Barry Jones, Labor's spokesman on science and technology, who said that it was "absolutely scandalous." The money, he maintained, would be better spent rebuilding the Australian steel industry, which is virtually controlled by BHP.

South African banks to cut prime rates

South African banks are to lower their prime lending rates next Monday by a record two percentage points to 14 per cent, writes Bernard Simon in Johannesburg. The reduction, the second in less than a month, has come at a time of considerable tightness in the money market as a result of heavy seasonal tax payments. But the banks' lending rate has been markedly out of line for some time.

Assam violence

The Indian Army has been deployed in seven key districts of the Brahmaputra valley in the north-eastern state of Assam following renewed violence in which at least 50 people, most immigrant Bengalis, have been killed, writes K. K. Sharma in New Delhi. The army is now in control of the main parts of Assam, where sectarian strife in the last five weeks has claimed thousands of lives.

Challenge over Diego Garcia

By David Tonge in New Delhi

INDIA and Mauritius won the backing of the non-aligned movement in meeting in New Delhi for a challenge to British control over Diego Garcia, site of the major U.S. base in the Indian Ocean, according to diplomats.

British officials in New Delhi said last night that most of the nearly 100 members would start demanding through the UN the linking to Mauritius of Diego Garcia and Chagos Archipelago on which it is situated.

The claim to the islands of the Mauritian government of Mr. Anerood Jugnauth is seen by Mrs. Indira Gandhi, the Indian Premier, as furthering her quest to turn the Indian Ocean into a "zone of peace" as the UN and the non-aligned have urged.

The islands used to be run by Britain from Mauritius, 1,400 miles away to the southwest. They were detached from its administration in 1965, two years before Mauritius became independent, and Britain has said it will cede the islands to Mauritius when it has no further need of them.

The Seychelles had also been administered from Mauritius. While most members of the non-aligned movement are prepared to back the Mauritian claims, a battle was raging last night over India's draft political proposals, singling out Diego Garcia for criticism.

Sri Lanka and Singapore have been leading accusations that the proposed political declaration by next week's non-aligned summit is one-sided in its section on the Indian Ocean.

It attacks "the expansion of Diego Garcia, the search for new base facilities and the establishment of new military command structures of great powers"—a clear reference to the proposed U.S. rapid deployment force.

The U.S. is not mentioned by name but emerges plainly as the villain, whereas critics of the U.S. have been keen to point out Soviet activities around Aden and the 50,000 Soviet troops in Afghanistan.

Reuter adds from Buenos Aires: President Reynaldo Bignone of Argentina was flying to New Delhi yesterday to rally support for his country's claim to the Falkland Islands.

Opec membership becomes Nigeria poll issue

BY QUENTIN PEEL AND MICHAEL HOLMAN

NIGERIA's membership of the Organisation of Petroleum Exporting Countries (Opec), and its oil-marketing strategy in the current international oil crisis, has become a big political issue in the campaign leading up to Presidential elections this year.

Mallam Yahaya Dikko, the presidential adviser on oil affairs and president of Opec, has been forced to defend Nigeria's membership in the face of persistent criticism from opposition parties and leading members of the business community.

The growing controversy comes at a time when Nigeria is under pressure from a few members of Opec to come to line, after its decision to cut its oil price to \$30 a barrel—\$4 less than the Opec market price, and 50 U.S. cents less than the price for comparable North Sea crude.

The Nigerian decision, itself a response to the cut in the North Sea price by the British Petroleum (BP), could trigger a downward price spiral, unless Opec can close ranks again. But the decision has been widely welcomed in Lagos as a sign of a new, aggressive marketing strategy.

Chief Obafemi Awolowo, leader of the Unity Party of Nigeria (UPN), and the leading opponent of President Shugu Shagari in the forthcoming elections, has publicly denounced Opec membership and called for an independent price policy to be adopted by Nigeria going into Opec, and I would reconsider membership of Opec and the price of our oil if I won the election," he said in a recent interview.

Senator Jonathan Odebiyi, leader of the Peoples Progressive Party, returned to the attack this week with a call for Nigeria to sign long-term, oil-supply contracts with the major oil companies at independently negotiated prices.

Similar criticism of loyalty to Opec has been voiced by Chief Jerome Udoji, president of the Manufacturers' Association of Nigeria.

Mallam Dikko responded to the criticism before he left Lagos to meet fellow Opec Ministers in London yesterday. "Nigerian interest requires a strong Opec, and its exit from Opec would lead to the disintegration of the organisation and a price collapse, which would mean lower revenues for Nigeria and for every oil producer," he told a meeting of university vice-chancellors. "What needs to occur to prevent this thinking is for every Opec member to set in such a way that the benefits of Opec are shared by all the citizens of the world."

The emergence of Nigeria's membership of Opec as a political issue may well mean that strategy in Lagos would be determined, not only by market factors, but by a powerful nationalist sentiment on which the ruling National Party of Nigeria (NPN) can capitalise. "The priority is the survival of the NPN, and whatever happens in the world oil market is almost irrelevant," according to one political observer in Lagos.

Nigeria occupies a critical place in the current oil crisis: its decision to cut the price of its Bonny Light crude set off the latest round of meetings by oil producers, designed to reach agreement on overall price and production levels.

There is a division in the ranks of the Nigerian government on the strategy to adopt. The political heavyweights in the ruling NPN believe that a more independent marketing strategy is electorally desirable, while Mallam Dikko remains convinced, so far, of the need for loyalty to Opec.

At the same time much in made of daily hardships experienced in Mozambique—the shortage of basic commodities and the run-down industrial and commercial sectors, desperately short of foreign exchange for raw materials and spare parts.

Economic performance since independence in 1976 has indeed been poor. The critical area is agriculture, where cashew nuts and cashew oil, cotton, sugar and tea are the main export earners. Earlier this year Sr Sergio Vieira, Minister of Agriculture, described the peasant farmers as the "principal force" in agriculture. "But we have not given them the necessary attention and support," he admitted.

Mozambique has not been self-sufficient in food since independence. The country's annual cereal requirement, mainly for the 2m urban dwellers, is around 515,000 tonnes of which local production in a normal year can supply 120,000.

In 1983, however, the crippling drought which has lasted two years in some places, has cut local production to 115,000 tonnes, and rice production in the Limpopo Valley—the main growing area—has virtually collapsed.

There are many more such examples, and the Foreign Ministry in Jerusalem admits that Tabat was on the Egyptian side of the border until Israel captured Sinai in 1967. But it argues that this was not an international boundary, more in the nature of an armistice line. The only real line is that of 1906, officials argue.



President Shagari

member states."

The emergence of Nigeria's membership of Opec as a political issue may well mean that strategy in Lagos would be

Mozambique carries brave banner through crises

BY MICHAEL HOLMAN

most important step. But it was not to be. South Africa put its resources behind the MNR—a fact widely acknowledged in private by diplomats, and publicly stated by a U.S. State Department official earlier this year, much to Pretoria's fury—and the organisation is now a potential threat to the country's stability.

It has perhaps 3,000 men under arms according to officials in Maputo, with several thousand more—both volunteers and conscripts—acting as porters, food suppliers and informants, all under the leadership of Afonso Chikanga.

It appeals to tribal differences, promises chiefs that their former powers will be restored, and recruits among disaffected members of Frelimo, the ruling party.

Its main targets have been the railways, coal traffic, the oil pipeline carrying Zimbabwe's oil supplies between Beira and Mutema (formerly Umtali) and expatriates working on development projects.

The net result is that SADC's hopes to open up the transport routes through Mozambique have been seriously undermined, the 25,000-strong Mozambican army is finding it increasingly difficult effectively to police a territory of some 783,000 sq km and economic

activity in many parts of the countryside is disrupted. Sections of the main road between Maputo and Beira—the only south-north route—are impassable without military escort. Beira itself, where electricity and water installations, marker buoys in the harbours, the oil storage depot, and a major bridge on the coast inland have all been attacked at various stages. It is sometimes like a town under siege.

The nature of the MNR propaganda, broadcast from a transmitter thought to be in South Africa's northern Transvaal province, has changed over the years from crude anti-Communist rhetoric to something more sophisticated.

It portrays the organisation as representing the "real" Frelimo, following in the footsteps of Eduardo Mondlane, the late founder and first president of the country's ruling party.

He stood for a pragmatic, "African socialist" economy, the broadcast claims, and a non-aligned stance in foreign relations, in contrast to President Machel's strictly Marxist-Leninist doctrine, and close links with the Soviet Union.

The broadcast also makes much of the high proportion of Mozambicans of Indian or Portuguese origin in government and state institutions, suggesting that it is this group of

Lingering dispute over Taba

By David Lennon in Tel Aviv

200 million landings at Heathrow that no-one complains about.



The Treasury would no doubt term them invisible exports.

At Heathrow, we call them inaudible imports.

The silent papersquadrons of yen, dollars and deutschmarks that are bringing in this country an awful lot of money.

In 1982, Heathrow topped a truly remarkable £200 million in foreign exchange earnings.

Putting us up amongst the biggest contributors to the UK balance of payments.

Over £100 million nett was earned from airline ticket sales to foreign visitors. £57 million was paid in landing and parking

charges by overseas airlines.

And another £37 million was generated through our ever-expanding Duty Free operation.

In other words, Heathrow is doing *very* nicely, thank you.

This isn't just good news for the national economy.

It's tidings of great joy for the people who actually use the place: the poor, beleaguered airline passengers.

For every penny of profit we make out of Heathrow is ploughed straight back into new construction and improvements.

That's how we have paid for the recent dramatic facelift

to all three of our Terminals.

That's where the money came from for all the new car parks, all those extra moving walkways and the spacious Eurolounge.

And that's precisely how we're financing the building of the brand new Terminal 4 on the south side of the airport.

At Heathrow, we're doing everything we can to make the jets quieter.

But we have no complaints about booming business.

British Airports Heathrow

The British Airports Authority, a profitable public enterprise, owns and manages Heathrow, Gatwick, Stansted, Glasgow, Edinburgh, Prestwick and Aberdeen airports.



WORLD TRADE NEWS

Rolls-Royce signs £200m Tay deal with Gulfstream

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

ROLLS-ROYCE yesterday signed a \$300m (£200m) contract with the U.S. Gulfstream Aerospace Corporation for the supply of 200 of its new Tay jet engines for the Gulfstream IV intercontinental business jet aircraft.

The Tay engine, with a thrust of up to about 18,500 lb, is an advanced technology powerplant to replace the existing Spey jet engine which is widely used, for example in the British Aerospace One-Eleven twin-engine aircraft.

Rolls-Royce is developing the Tay at a cost of between \$50m and \$60m of its own cash, for delivery to Gulfstream Aerospace from 1985. The company sees an eventual market for between 1,000 and 1,500 civil Tays by the end of this century, worth in today's prices more than \$2bn.

Other markets for the Tay, beyond the Gulfstream IV, include the possibility of an improved, larger version of the current Dutch Fokker F-28 twin-engine jetliner (which hitherto has also used the Rolls-Royce Spey engine), and the possibility of re-engineering the large number of British Aerospace One-Elevens world-wide.

The Gulfstream IV is a twin-engine business and executive jet aircraft now under development in the U.S. Hitherto, earlier versions of the Gulfstream have consistently used Rolls-Royce engines—the Dart turbo-prop engine powering the Gulfstream I, and the Spey jet powering the Gulfstream II and III.

Mr Allen E. Paulson, president and chairman of Gulf-

stream Aerospace, who signed the deal for the Tay yesterday with Lord McFadden, chairman of Rolls-Royce, said the first flight of the aircraft was planned for December, 1985, with production aircraft being delivered to customers from late 1986.

Mr Paulson said that his company's market research "indicates a world market for approximately 300 Gulfstream IVs over the next decade." The aircraft will be able to carry up to eight passengers and a crew of three over distances of 4,000 nautical miles.

Lord McFadden made it clear yesterday that the development of the Tay engine would help to maintain the company's activity at a time of severe recession in world aircraft engine markets, but it would not halt the continued redundancies planned for the current year.

Over the past two years, the company had cut its labour force from around 60,000 to about 45,000, but that as already announced a further 6,000 would have to go this year.

Lord McFadden said that he thought the company this year would be getting down to a level of production costs that would be competitive with its U.S. counterparts, Pratt & Whitney and General Electric.

He believed that there was now an increasing recognition on the shop-floor that the changes taking place, in terms of both reductions in workforce and the increasing use of new technology, including robotics, were essential to the long-term future of the company.

Call for UK flexibility on aid to South East Asia

By Paul Cheeswright, World Trade Editor

THE UK Government should be more aggressive and flexible in its use of aid to supplement the financial packages of companies seeking major contracts in the South East Asian region, according to the House of Commons Industry and Trade Committee.

The Committee, in a report published yesterday, argues against the use of the Aid and Trade Provision (ATP) as a simple reaction to the use of aid funds by competing countries. Rather, it says, there is a need for a pool of funds so that companies do not have to start from scratch in seeking ATP money.

The ATP comes from the budget of the Overseas Development Administration (ODA). It is used to top up financial packages so that the net cost to the borrower of export credits would be less than that involved in a normal export credits package.

This financial year, the cost to the ODA of the ATP is likely to be just over £50m. In 1981-82, disbursements were £53.7m.

The Committee's advocacy of a more aggressive use of the ATP cuts into a debate already taking place in Whitehall about the use of export subsidies.

"We recommend a thorough review of the policy for ATP," the Committee's report says. The Committee's attitude springs from a study of UK trade with countries of the Association of South East Asian Nations (Asean)—Indonesia, Malaysia, the Philippines, Singapore and Thailand. It notes specifically that total British aid, including the ATP, to Indonesia is less than that provided by major competitors.

This leads the Committee to suggest that more emphasis should be placed on giving aid to countries which have not been traditional recipients. The Committee, 11 MPs from all parties, suggests that, as far as ATP is concerned, "a broad view may generally be taken of the developmental criteria which govern its use."

It also wants the Government to make ATP allocations to specific countries.

The UK's Trade with Asean Countries: report from the Industry and Trade Committee; House of Commons Paper 195; HMSO, £7.10.

Tony Walker in Peking reports on foreign oil companies' tougher stance

Price fall delays Chinese offshore contracts

THE FALLING world oil price is likely to cause further delays in the negotiation of contracts between China and foreign oil companies for the exploitation of Chinese offshore reserves.

It had been expected that first contracts would be awarded by mid-year and that exploration would begin by the end of the year, but foreign oil industry representatives in Peking now believe more time will be required.

The representatives say that because of the "softening" international market for oil, foreign companies are adopting a tougher negotiating position on the profit sharing arrangements being proposed by the Chinese.

If the China National Offshore Oil Corporation (CNOOC), is intent on getting a quick agreement on contracts it may have to allow foreign companies to retain a greater share of oil for sale than it is now proposing, according to the representatives.

Foreign oil companies, which have begun a fresh round of negotiations with CNOOC, are making the point that because of falling world prices it is now

much less attractive to make investment in exploration programmes in Chinese offshore waters.

CNOOC has reportedly told Western oil representatives that while it appreciates the difficulties they are facing, it is the Chinese view that the world oil market will have strengthened again by the mid-1980s when the first of the offshore oil wells is expected to come on stream.

This argument is apparently not proving persuasive to the oil companies who are certain to push hard for more favourable profit sharing terms than they might have been prepared to accept last year.

CNOOC is also reportedly changing its strategy towards the negotiations. It had proposed to conclude agreements in the first part of the year with a small number of selected oil majors in hopes these agreements would serve as models for negotiations with others among the more than 30 companies seeking exploration rights in Chinese offshore waters.

But CNOOC, in the face of an apparent tougher negotiating

stance by the large companies, is reported to be proposing to negotiate on a broader front in the hope of encouraging greater competition for exploration blocks in difficult times.

With the price of oil going down and shaky, the companies have all started renegotiating the X factor (the amount of oil they will be able to retain for profit), said one observer. "The Chinese appear to have just ground. All the foreign companies have decided to take a harder line on how much of the share of oil should be theirs."

"It looks like the Chinese are going to run the full gamut of possible companies before negotiating agreements in an effort to get them to compete against each other." The observer described the process as a "sort of commercial shake-down."

Oil representatives in Peking say the Chinese may have to agree to a large share of "profit oil" going to foreign companies if they want to get the offshore drilling programme started soon.

Altogether 32 companies (it was 33 before Occidental took

over Cities Service in the U.S.) are bidding for exploration rights in the Yellow and South China Seas and in the Gulf of Tonkin. The largest bids have been lodged for areas of the Pearl River estuary near Canton in the South China Sea.

Altogether 102 tracts have been put up for auction in Chinese offshore waters.

Foreign oil companies such as Exxon, Occidental, Amoco, Mobil and British Petroleum have conducted a number of rounds of preliminary discussions with CNOOC on the bids lodged, and it had been expected that final negotiations would begin in February.

But the timetable appears to have slipped partly because of the drop in the world oil prices. Representatives of a number of oil majors are presently in Peking to prepare for final negotiations with CNOOC.

About 10 days ago, oil companies were handed a new "model" contract to replace one given them last year. The terms of the new contract have not been made public, but they are believed to be just about as tough as those in the previous "model."

The 32 companies which have indicated an interest in participating in the exploration and development of Chinese oil have contributed to an exhaustive seismic survey in offshore areas. It is estimated that it could cost between \$200m to \$400m to develop China's offshore oil reserves. Some estimates have put potential production in these areas at 1m barrels per day, or about half that of Britain's North Sea production.

Several foreign oil companies are already exploring in Chinese offshore waters under agreements reached separately from the auction system now under way. These are the French companies, Total and Elf Aquitaine, Atlantic Richfield of the U.S., and the Japan National Oil Corporation.

The French and Japanese have discovered oil in what they describe as commercial quantities, but have not yet begun to bring production onstream. China needs the foreign exchange from its offshore oil fields to help fund its modernisation programme. It would like offshore wells to be producing reasonable quantities by 1985.

UK exports to Mideast threatened

BY PATRICK COCKBURN

SOME \$6bn in British exports to the Middle East will be threatened if there is a significant cut in the oil revenues of oil producing countries in the region.

Last year British exports to Arab countries totalled \$5.7bn,

a rise of 15 per cent on the year before. Much of this increase is the result of orders placed in 1980 and 1981 when oil revenues were still soaring.

But some major British markets in the region were already feeling the strain last

year. Libya's imports from Britain fell 51 per cent from \$590m in 1981 because of the fall in Libya's oil exports.

The UK's second largest market in the region is Iraq which is also suffering from severe financial difficulties. British exports are likely to slip from the \$375m total achieved in 1982.

In the case of both Libya and Iraq, however, Britain is unlikely to be as badly hit as West Germany or Japan because the UK has failed to win many major construction contracts. Big industrial and infrastructure projects in the first to be cancelled or postponed as financial difficulties make an impact.

It is still too early to say how far the Saudi market, the largest in the region, will be affected by the drop in oil revenues. States like Qatar with a population of 300,000 which last year imported goods worth \$261m are clearly unlikely to increase their imports.

Non-oil producers, such as Jordan, or small producers, such as Oman and Syria, may also suffer from reduced income.

Country	UK imports		UK exports		Trend % change
	January-December 1982	1981	January-December 1982	1981	
Algeria	174.3	163.7	199.1	172.8	+15.2
Egypt	613.2	414.3	338.3	325.5	+3.9
Iran	225.9	154.1	333.7	403.9	-17.4
Iraq	79.8	72.4	874.8	624.2	+40.1
Jordan	18.2	10.4	295.4	204.3	+44.6
Kuwait	194.8	166.4	333.2	281.0	+18.6
Libya	343.3	74.5	268.8	528.5	-58.7
Oman	44.6	42.0	265.3	171.2	+55.0
Qatar	34.0	10.8	245.2	135.4	+81.1
Saudi Arabia	1,497.8	1,441.1	1,361.4	1,134.9	+20.0
Sudan	9.9	10.8	134.6	118.5	+13.3
Syria	25.6	4.6	89.5	84.8	+5.5
United Arab Emirates	247.0	390.5	559.1	491.2	+13.8
Total (Arab countries)	3,353.3	1,787.0	5,734.7	4,996.7	+14.8
Afghanistan	20.8	21.0	9.4	7.7	+22.1
Israel	275.2	255.9	222.5	212.3	+4.9
Total (Middle East)	3,649.3	4,065.9	5,966.9	5,216.7	+14.4

Sources: Overseas Trade Statistics

India to buy 30 more BAe Jaguar fighters

BY DAVID TONGE AND K. K. SHARMA IN NEW DELHI

INDIA has agreed to buy around 30 more Jaguar long-range strike aircraft from Britain, bringing its total confirmed Jaguar force to an eventual 115, according to industry officials in New Delhi yesterday.

The deal, which is believed to be worth up to \$200m, is between the Indian Ministry of Defence and British Aerospace.

Dassault

The deal was signed in December but had not been made public. It was reached shortly after Avions Dassault-Breguet of France reached a memorandum of understanding to supply India with 40 Mirage 2000s, its new multipurpose fighter-bomber.

The new British deal underlines India's determination to

spread its defence purchases. Hindustan Aeronautics is now tooling up its existing MIG-21 plants to produce the MIG-27, the latest version of the Russian fighter.

The 30 British Jaguars are to be imported in kit form for assembly at BA's Bangalore headquarters. The first 40 Jaguar aircraft had been shipped ready for flight. The next batch of 45 are also being sent as kits. The first of this batch flew last summer.

While welcome to British Aerospace, the deal appears to mark the end of India's interest in many major fresh supplies of Jaguar. The British had originally hoped the Indians would build up their Jaguar force to around 150, of which the last 65 were to be built under licence in Bangalore.

Norwegian ship order

BY FAY GJETER IN OSLO

PARLEY AUGUSTSSON, one of Norway's fastest growing shipping groups, has ordered four roll-on/roll-off vessels, with options on a further two, from China's Dalian shipyard.

The ships will be of 7,000 dwt, with capacity of 125 trailers. The first will be delivered in October 1984 and the others at intervals of three to four months thereafter. Each will cost \$14.1m (£9.2m). They will probably be used on routes in the Caribbean or Mediterranean.

Parley Augustsson, which has previously ordered six offshore supply ships in China, believes that no other country's yards can match the prices now being quoted by the Chinese.

On the ro/ro vessel contract, moreover, the yard has granted credit against mortgage on the ships—85 per cent for nine years, at 10 per cent interest. Augustsson says that, on previous contracts, Dalian has been willing to grant credit only against bank guarantees.

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UK NEWS

Britain suffers £973m motor trade deficit

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

BRITAIN'S balance of payments in motor products went into the red by £973m last year - only the second time that the UK motor industry has shown a deficit on its trade.

Exports last year fell 5 per cent, from £4,248m to £4,055m, but imports rose sharply, by 33 per cent, from £3,710m to £5,028m. This meant that a £409m positive balance of payments figure for 1981 became a near-£1bn deficit last year.

The only previous year that the UK's motor products imports have been worth more than exports was in 1979 when both car and commercial vehicle registrations reached record levels and sucked in imports.

The deficit in 1979 was only £287m but this represented a considerable turn-round from the surplus of £763m the previous year.

The motor account had a surplus of £593m in 1980 and almost maintained its position in 1981. The Society of Motor Manufacturers and Traders (SMMT), which compiles the Customs and Excise statistics, said yesterday that a significant factor in last year's reversal was the large increase in commercial vehicle imports, particularly heavy vehicles.

Whereas the importers' share of the total commercial vehicle market fell from 31.1 per cent in 1981 to

UK MOTOR TRADE (£m)	
	Exports 1981 1982
Cars	887 932
Commercial vehicles	579 518
Parts/accessories	2,060 1,959
Others	722 659
Imports	
Cars	2,211 2,876
Commercial vehicles	225 317
Parts/accessories	1,154 1,469
Others	188 266
Trade balance	
	-1,324 -1,944
Cars	
Commercial vehicles	353 201
Parts/accessories	908 481
Others	534 399

Source: SMMT from Customs & Excise statistics.

28.9 per cent last year, imports of heavier vehicles (more than 3.5 tonnes gross weight) moved up from a 22.6 to a 28.84 per cent share.

Some 13,083 heavy vehicles were registered in 1982 compared with 10,161 the previous year.

This was partly due to the setback at Leyland, the BL subsidiary, which suffered a six-week strike at

the beginning of last year. Leyland's registrations fell from 7,183 to 6,004. The General Motors subsidiary, Bedford, also had a poor year, and its sales fell from 7,286 to 6,479 in the over-3.5 tonne sector.

Another important element in the import performance last year were the "captive" car imports by Ford and GM from their continental European plants. About half the Fords and Vauxhalls registered in Britain in 1982 were imported.

In Vauxhall's case the position was exacerbated because its car market share improved considerably, from 8.5 to 11.7 per cent, and a big proportion of the components in the Cavaliers and Astras it assembles come from its sister GM company, Opel, which has plants in West Germany and Belgium.

On the export side, the British industry found it difficult to cope with the twin problems of diminishing home demand and the rising value of sterling. This effected the components companies in particular who for the past 10 years have mainly been responsible for the positive trade balance.

However, exports were also badly affected by the steep drop in car kit shipments from Talbot UK to Iran. In 1981 Talbot shipped 67,500 kits but last year the total fell to 48,500.

First UK freeports expected to be named this year

BY ANDREW TAYLOR

THE WAY was cleared yesterday for the establishment of the first British freeports, with the publication of a government report. The names of two or three possible freeports are expected to be announced later this year.

A working party set up by Sir Geoffrey Howe, the Chancellor of the Exchequer, recommended that freeports - secured areas which are treated as being outside the customs frontiers of the host country - should be established in the UK.

The report, however, questions whether some of the more important benefits traditionally associated with freeports would be available to companies operating within British-style zones.

"The working party was unable to identify any tariff advantages which could be made available, within the rules of the EEC, which are not already available to firms in the UK handling warehousing or processing imported goods destined for export to third countries or for release into free circulation," the report says.

It says, however, that there are several other advantages associated with freeports. These include simplified customs procedures, greater flexibility in the handling of goods restricted by import quotas, and

cash flow benefits arising from the delaying of customs duty payments until such time as goods were actually released for sale or export.

The report urges that legislation enabling the establishment of freeports "should be introduced forthwith." A statement on new legislation may be included in the budget on March 15, although the naming of possible freeports sites seems likely to be delayed until later this year.

The report stresses that the development of freeports should depend upon demand. "In view of the inevitable uncertainties about the real scale of user demand we recommend that authorisation should be restricted in the first instance to two or three experimental locations to include both air and sea ports."

There are thought to be about 350 freeports around the world, though this is not easily verifiable: some freeports call themselves such when they are patently not. Even so, many have created large numbers of jobs.

Hamburg has 60,000 people working within its freeport, though many of them are engaged in shipbuilding. South Korea has two freeports which are said to have 120,000 people working in them.

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THE RSPCA



Changes urged for top accountancy body

BY CHRISTOPHER CAMERON-JONES

FINDINGS were published yesterday of an 18-month-long investigation into the governing machinery of Britain's largest accountancy body, the Institute of Chartered Accountants in England and Wales.

The report by Mr Robert Tricker, of Nuffield College, Oxford, could have far-reaching effects that will reflect on the profession's credibility and the prestige attributed to the title "chartered accountant".

It is intended to be the starting point for a long-term evolutionary process for restructuring the 163-year-old Institute.

One task was to suggest ways of preventing the Institute from fragmenting under the sheer weight of

numbers and specialist interests of its membership.

The report says it was vital for the self-regulatory process to work and to be seen to work in the public interest and in the interest of accountancy members. It also identified the need to "reaffirm the essential community of interests shared by members... and the unifying sense of purpose and commitment."

Options considered by Tricker ranged from an organisation that was simply a registration and regulatory body, to the concentrated approach under which the Institute would focus on one aspect of the profession, probably auditing, to a position of federal autonomy as enjoyed by the United States Institute.

In-between was something similar to the present system of a representative governing body. There was also a divisional option and a system where the firms, and not the individuals, were members. In addition, the report said a different approach could be one where the governing body delegated power to a paid chief executive.

The main element of new proposals is the creation of "subject conferences" to represent the different interests of members.

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THE PROPERTY MARKET BY MICHAEL CASSELL IN SAN FRANCISCO

City planners put accent on preservation

SAN FRANCISCO, so the guide book says, "offers the visitor everything anyone could ever imagine," though it is unlikely that freak tornadoes, torrential rain, landslides, hail and thunder are what it has in mind.

But if this week alone has brought enough spectacularly bad weather to see most San Franciscans through to Thanksgiving, the arrival of the Queen has at least offered something of a diversion.

After Los Angeles, the unenviable reality of Hollywood's "tinsel town" and a Mexican lunch up a mountainside with a cowboy-clad President, the rain-soaked streets of San Francisco must seem a little more comforting and familiar to the Royal Party.

The city is, indeed, regarded by many as one of the most "European" in the United States and though the Queen's acquaintance with San Francisco real estate is unlikely to extend much beyond a few unforgettable views of the city skyline, the local property market has many characteristics in common with those found in Her Majesty's own home town.

For, if "anything goes" in San Francisco, it certainly does not extend to property development, which is governed by the type of planning constraints and requirements which have been ignored in many American cities but which are an integral part of the UK property scene.

John Wilson, senior vice president of Richard Ellis in San Francisco, says the city com-

prises "more of an English market" than most, with the preservation of views and of buildings of architectural and historic interest paramount in the planners' minds.

"It takes longer to build here than in many other U.S. cities. Sites are scarce and difficult to put together and the time it can take to get planning consent is as long, as anywhere in the country."

"The process has been so slow that many of San Francisco's major space users, notably the banks, have used the heavy hand and threatened to move down the coast to Los Angeles if they cannot get the accommodation they require here," Wilson adds.

Just at the moment, however, the supply of space is not an overriding problem; demand for office accommodation in the city—which has about 43m sq ft of downtown office space—is weak, with an estimated 2m sq ft (around one year's absorption) vacant.

Gerald Hines, one of America's best-known developers, has been finishing off over 1m sq ft of office space at 101 California St—sadly without cable-cars while the system is overhauled—and although he has tenants committed for 90 per cent of the space, most signed up some time ago, the

last six months have seen few new takers.

The building is one of the last big city blocks left to be redeveloped (planning approval took six years) and asking rents in the low \$400-a-square-foot range are apparently wide open to negotiation.

The weaker market has seen rents generally fall back and it is likely to be some little while before growth returns. A critical shortage of space in the central business district saw rents more than double between 1979 and early 1982, but last year the pattern changed dramatically.

The economic climate has inevitably hit prospects for development activity and while a substantial volume of space already in the pipeline will be coming through this year, the level of new schemes being started has tailed off significantly.

With prime, financial district rents touching \$45 a sq ft (up to \$60 in some small, prime lettings) the recession caught up with the market and central rents began slipping back to their present \$35-\$37 a sq ft average.

According to Bob Beene at Jones Lang Wootton: "It has got to be good to get more than \$40 a sq ft in the present market. There is no question that rents have come well off the top."

John Wilson believes that current rents are down by as much as 15 per cent over the year and the slide is not over yet. He points out that nearly 3m sq ft of new office space is likely to be completed this

year, with around half of it pre-let, and he expects prime rents to dip to around the \$30 a sq ft mark. The decline will, however, be masked by hidden "giveaways" rather than take the shape of open reductions. Looking further ahead to 1984, he sees a continuing flat rental picture.

The anomalous climate has inevitably hit prospects for development activity and while a substantial volume of space already in the pipeline will be coming through this year, the level of new schemes being started has tailed off significantly. Only about 1.3m sq ft

of new space is expected next year and pre-letting accounts for under 10 per cent of that total.

Land values, which might have been expected to fall, have done no such thing. Developers who paid for sites with \$40 a sq ft-plus rents in mind can no longer make the sums add up but, as most own their land free and clear, they have not been in any hurry to sell and are apparently happy to bide their time until the figures again make sense.

For the time being, it seems, it is better to be a buyer than a builder, as most developers cannot establish viable schemes on the basis of incurred land costs. With development yields

at 10 or 11 per cent, there would seem little point in pursuing new projects when purchases are possible at 9 to 10 per cent.

Not that prime properties are there for the asking. Despite the market's current weaknesses, the level of investment interest in downtown San Francisco buildings has remained strong.

Bob Beene underlines the city's central role in the national and State economies and points out that although San Francisco's claim to be the financial capital of the western United States may have taken a bit of a bashing at the hands of Los Angeles, it remains at the heart of a broadly-based business community in which a new generation of "high-tech" industries point the way ahead. Being home for several of America's largest banks must also count for quite a lot.

Given these underlying factors, together with the certainty that expansion of the downtown-financial district will always be restricted by planning and geographical constraints, the continuing enthusiasm for real estate investment in the market is not surprising.

According to Bob Beene: "It has been hectic. More downtown property sales have taken place in the last year than in the previous five years and prices have been very keen."

Overseas interest has been considerable, with Chinese investors among the most active, while the American funds are clearly back in the market.

Partnerships spearhead US drive by Grosvenor Estate

EVER since the early 1950s, when it took advantage of a previous government's dislike of exchange controls by purchasing a little piece of British Columbia, the Grosvenor Estate's property interests have extended well beyond London's West End.

Using revenues generated by its massive UK portfolio of commercial and residential property, the Estate has, through Grosvenor International, built up a real estate operation which now extends around the world. Its United States operations, started in 1977, are based in San Francisco and headed up by Ralph Hayward, who previously looked after the Estate's interests in Hawaii. Though the U.S. market represents its most recent major commitment, it has moved quickly to establish itself as a significant investor in American property.

In six years, the Grosvenor team has pursued an extensive but characteristically low-key investment programme in America, which has so far netted a range of commercial property assets stretching from Chicago and St. Louis to Houston, Dallas and Phoenix—as well as up and down the west coast.

The emphasis has been on major downtown office buildings and regional shopping centres in the west and south west, areas which Grosvenor believes

hold the greatest potential for growth. Early investments were in the \$10-15m range, although the size of purchases is growing quickly.

Grosvenor has spearheaded its U.S. drive with the formation of investment partnerships, the first of which was Westcoast Freeholds—comprising the pension funds of British Airways, British Rail, the British Broadcasting Corporation and Boots.

Together with a second, closed-end fund named Westcoast Estates and involving the same funds, the partnership picked up a mixed portfolio of investments around the country. It has now formed Pacific Freeholds, into which three additional participants—the pension funds of Grand Metropolitan, Reed International and the National Freight Corporation—have been injected.

Grosvenor is, in effect, the managing partner with overall responsibility for asset management, although it employs outside property managers to handle individual properties on behalf of the partnership.

Pacific Freeholds was established in order to invest in bigger fish and a few weeks ago it announced its involvement in the purchase, for about \$175m (£115m), of a half share in the impressive Wells Fargo building in downtown Los Angeles.

Hayward is reluctant to give away too many details about this increasingly substantial investment force but says that the Wells Fargo purchase is indicative of the partnership's new clout. The acquisition has not accounted for the first tranche of funds made available by the investment consortium, and other purchases are now being pursued.

In addition, it seems a second tranche—equal in size to the first—will be made available in November and this should keep Grosvenor busy buying for 12 months after that. All opportunities are put to Pacific, although Grosvenor could buy for itself if its partners were not keen.

Interest is confined to the best of prime and Hayward says that, while competition for such investments is fierce, there are more good quality buildings coming on to the market than in recent years. He describes the partnership as a half-way house between direct purchase by individual investors and a unit trust.

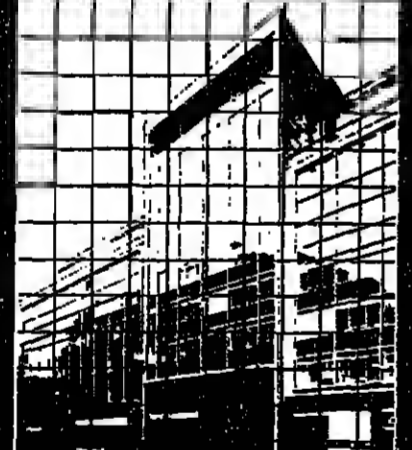
Though no-one is saying, the best guess is that the portfolio so far assembled under Grosvenor's guidance puts it in the same league as American Property Trust, the largest UK trust for pension fund investment in U.S. real estate with a gross portfolio value of around \$250m.

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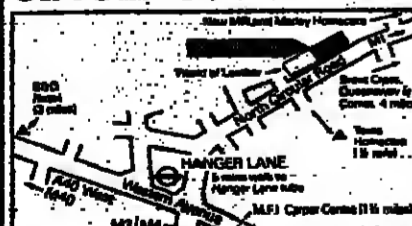
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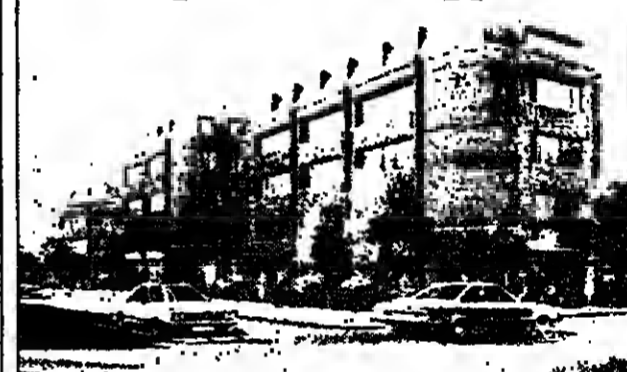
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TECHNOLOGY

MASSTOR SYSTEMS READY TO GO PUBLIC

Secret of storing 320 Encyclopaedias

BY ALAN CANE

SOME company executives would like to put their company files in a hole in the ground and cover them with concrete. Masstor Systems Corporation, 2 Sunnyvale, California, high technology company, makes it possible for them to do so.

So successfully, in fact, that the company turned over \$20m in 1982 and is now in the early stages of going public. Some 2.5m shares are to be offered through L. F. Rothschild, Unterberg Towbin and Robertson, Coleman and Stevens to raise around \$50m. If successful, it should value the U.S. company at about \$200m.

Senior Masstor executives have already been marketing the company around Europe's financial centres—the Masstor roadshow and they are hoping the Securities and Exchange Commission will give permission for the deal to go ahead within three weeks.

Combination
On the face of things, Masstor has a bright future. For it is at the leading edge of a technology vital to progress in business automation—providing storage systems for vast amounts of business data coupled with the facility to extract any chosen piece of information swiftly and efficiently.

To achieve this, Masstor—set up in 1976 by Mr Eric Salbu and a number of colleagues who left Ampex Corporation after its "Terabit" mass storage project was cancelled—uses a combination of three technologies: one of its own devices, one an improvement on an IBM system and one it buys in from outside.

It makes it possible for the company to store the equivalent in words of 320 sets of the Encyclopaedia Britannica in a box with a "footprint" only 10.8 ft sq and with the ability to extract any page from the total in less than ten seconds.

Central to the Masstor philosophy is a mainframe computer—it can be small or large according to the power required in the system but it has to be an IBM or IBM compatible machine.

Attached to the computer via the block multiplexing channel of the processor is the mass storage system itself—a beehive of cells, each containing a magnetic tape data cartridge and served by a robot arm which extracts the required data cartridge when requested to do so by the computer and delivers it to the read-write head.

This is similar technology to that used in IBM's 3850 mass storage system but the performance is higher—it runs its essential functions some 2.5 times faster, and the price per 1,000 characters of storage is \$8.36 compared with \$22.06 for the IBM.

This entry level system gives

the IBM computer user access to the storage power of the mass storage system. What if the user wants other, different capabilities to share the same facility?

On the other side of the computer can be set the Hyperchannel, a superfast method of moving computer data developed by the U.S. company Network Systems Corporation and which is already well recognised as the technology leader in this area.

All kinds of mainframes—Univac, IBM or band X—can be connected to the Hyperchannel using special Masstor software—Masstor—which makes possible the high-speed sharing and transporting of data among applications.

But as the number of mainframes trying to share the huge resources of the mass storage unit increases, so the data transmission problems multiply and Masstor moves to what it calls shared virtual storage.

Here the mass storage system is removed from the IBM and attached to a special computer (it is actually a Fujitsu) called the virtual storage control processor which runs the whole show. This is linked to the Hyperchannel and all the host processors in the system including the IBM are also attached to the same high-speed link.

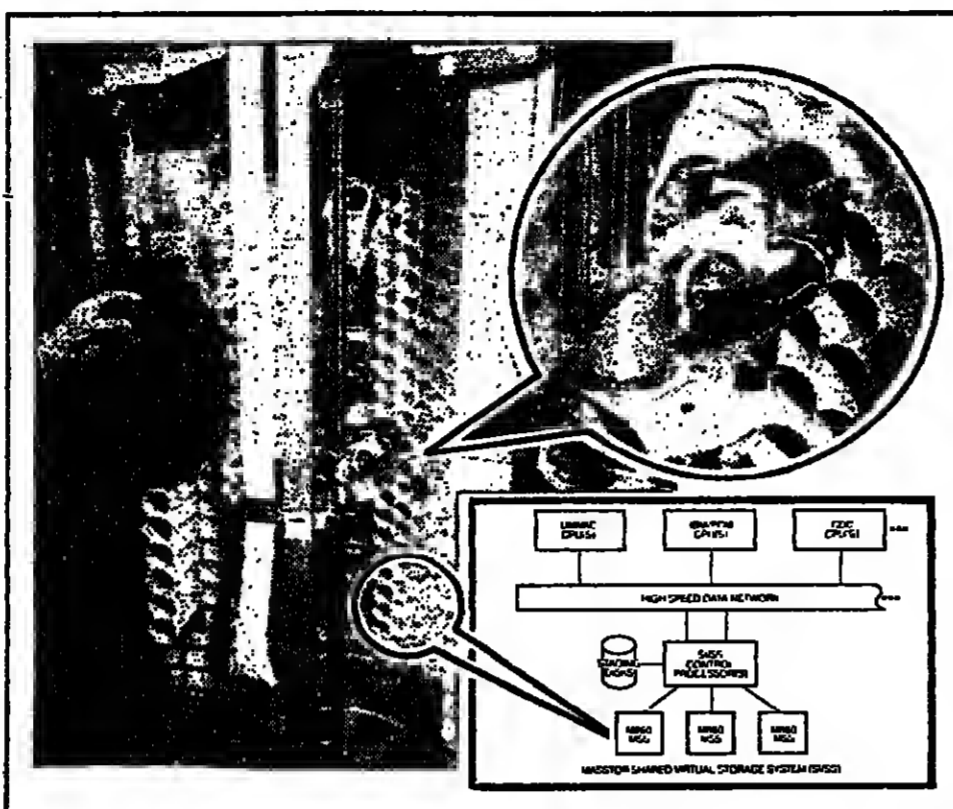
It is this system which could simply be dropped in a hole in the ground and left unattended, sealed in and safe from vandals, thieves and urban guerrillas.

Masstor recently concluded an agreement with System Industries which designs manufacturing and markets disc and tape storage systems for use with minicomputers for the two companies to work together on software enabling Digital Equipment minis—including the VAX supermini—to be attached to the Hyperchannel/Control Processor/Mass Storage system.

Reliability

Masstor Systems have been delivered to Control Data Corporation in the U.S., Brookhaven National Laboratory and the U.S. National Aeronautics and Space Administration. In the UK, an entry level system is under test at London University's computer centre and another system has been ordered by Manchester University. In Sweden, the Oil Consumers Union have taken delivery of an entry level system.

According to the market consultancy Nielsen Dataquest: "Masstor can offer greater device reliability at a reduced operating cost and a lower initial purchase price," going on to warn that there is a two-fold sales challenge—to create awareness of the need for such a system and convince users



On the left Masstor's mass storage system (the M860) is seen with its covers off and the data cartridge cells clearly visible. Inset, detail of the robot arm which selects the requested cartridge. The diagram shows an idealised virtual storage system with three M860s and high capacity disks connected to the Fujitsu control processor. Various alien processors are connected to the system via the Hyperchannel high speed data network.

that Masstor has the right answer.

Masstor (UK) is not a subsidiary but is wholly owned by its directors including founder David Addison, a former senior executive with the ill-fated ICI leasing company.

Eric Salbu is a director of the UK concern and there is an exchange agreement that subject to the performance of the company, Masstor (U.S.) can buy up the UK company on a 1.6 for 1 share basis up to 1985.

By then according to David Addison, UK revenues should be around \$45m. Who are the likely UK buyers of Masstor systems, universities apart?

Insurance companies, according to marketing support director Michael Beadmore: "We had 95 companies to a seminar before Christmas and most were insurance companies and banks."

"Insurance companies deal in thousands of policies—they need a system like this to enable them to deal properly with claims."

A note for the future: Almost as an afterthought Nielsen Dataquest notes that the data density of the magnetic cartridges in the mass storage system could easily be increased 10 times—or 3,200 Encyclopaedia Britannicas in the corner of the office.

Masstor (UK) is on 0734 871186; Masstor (U.S.) is at 541 Lakeside Drive Sunnyvale, California.

TOYOTA SUSPENSION SYSTEM

Computer control for comfort

BY JOHN GRIFFITHS

TOYOTA has developed a microcomputer-controlled car suspension system, with hard and soft settings to overcome the major difficulty manufacturers face in achieving a satisfactory compromise between ride comfort and handling.

In addition, the microcomputer automatically increases the suspension resistance to roll on one side of the car during cornering, and similarly increases the resistance of front or rear suspension during hard acceleration or braking.

The system comprises, apart from the microcomputer: Shock absorbers with two-way switching valve and DC motor actuators.

A "mode" selector switch, by which the driver can manually select a soft ride, for slow urban driving or rough roads, or a "sport" setting for high speeds.

Sensors for the steering, to monitor change of direction; throttle pedal, to monitor degree of pedal depression; stop lights and speedometer.

The system has just been launched in Toyota's "flagship" model, the Soarer. This car is currently sold only in the Japanese market, but the system is expected to become available on cars such as the cheaper Celica and Supra models, which are sold in the UK and on the Continent.

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A "mode" selector switch, by which the driver can manually select a soft ride, for slow urban driving or rough roads, or a "sport" setting for high speeds.

The packages for the office include "Quelx Search Librarian" a bibliographic database and retrieval package, which the company says, makes it easy to build and operate catalogues and files of literature references.

It will search at the rate of 50 articles a second and sort at 40 articles a second. Up to 1,000 articles and descriptions can be stored on each disc. "Vidichart" allows the simultaneous display and

manipulation of four sets of collected data and interfaces with Adalab, the Apple laboratory interface or any analogue to digital converter.

Other laboratory packages include a graphic software package which allows sophisticated curve fitting and data plotting routines. "Tempense," a temperature monitor accessory which interfaces with the Apple Adalab and "Chromcard" which connects Apple's to any chromatograph. The packages are written by Heyden Data Systems and Heyden's London office is on 01-263 5171.

Technology company. The Codenet units are completely plug compatible with all Ethernet equipment. More on 0826 35411.

Robots
Swiss unit for UK

THE SOURIS Microbot, a miniature robot from Switzerland designed for component transfer, test and insertion in light precision engineering and electronics, is being made available in the UK by Concentric Production Research of Sutton Coldfield (021 355 1266).

The unit can handle loads of up to 0.1 kg with an accuracy of 0.01 mm. Movement, which can be pneumatically or electrically produced in up to eight axes, can be completed anywhere within the working orbit in 0.5 sec.

The controller has 16k of non-volatile memory, and there is a facility for cassette recorder program duplication. Programming can be either step-by-step or directly interactive.

SAFE ELECTRICAL SYSTEM

Electrak plug and socket system

BY GEOFFREY CHARLISH

THE ELECTRACK mains plug and socket system, conceived in the mid-1970s and the subject of a considerable gestation period, was finally officially launched in London this week to the accompaniment of a special edition of "Mastermind" complete with Magnus Magnusson.

Electrak consists of continuous lengths of triple bus bar (three carefully spaced aluminium bars suitably protected by plastic covers, that are fixed at head or skirting board level down the length of a room.

At intervals of either 100 mm or 200 mm down the length of the track there are holes in the cover into which a special mains plug is inserted and then turned through 90 degrees. The turning action brings line, neutral and earth pins, which are spaced down the axial length of the plug into contact with their respective bus bars.

There are a number of advantages. First of course, an appliance can always be plugged in with only a short cord to the nearest socket. Leads need not trail over floors and the habit of plugging too many appliances into adaptors could be abandoned.

The company makes the point that there are seldom enough socket outlets in premises, a problem neatly solved by Electrask at the building stage. It is claimed that beyond just one or two outlets in a room, the new system becomes progressively cheaper than conventional installations.

Second, the system is claimed to be particularly safe. A finger can quite safely be inserted in the socket hole since all the live metal is well above and protected within slots in the internal plastics.

Connection of Electrask to a consumer unit is recommended to take the form of a radial circuit rated up to 63A for industrial and commercial applications. It can be fused down to 30 amps, says the company, for smaller installations.

Standard lengths are from 600 to 3,600 mm but the track can easily be cut to any length. Track lengths are easily linked by snap-in connectors. The system can be fitted along work benches, walls, even across a ceiling or with underfloor trunking systems.

For skirting board fitting an extended height hollow section is supplied that also allows other cable services to be run.



The Electrask system feeding power to a calculator and tape recorder

This is likely to prove important in the coming years when additional computing and communications cables have to be installed.

The system has been tested by ASTA (Association of Short Circuit Testing Authorities) at ERA in Leatherhead to a test schedule embracing the relevant British Standard and International Electrotechnical Commission requirements. It is designed to comply with the IEE Wiring Regulations.

The remaining requirements, then, are sufficient public acceptance of the idea and widespread availability. A new plant has been set up at Consett with Department of

Industry help and initial output will be up to 30km per month. In addition, Electrask International raised £5m via a private placing a few months ago.

Acceptance will follow if the price is right at about £35 per metre run and £1.60 for a plug—and if the installation industry at large does not feel some new standard is being imposed on it.

After all, many will remember the fate of the so-called "international" plug and socket idea which fell on very stony ground two or three years ago. The company is at 45 High Street, Kingston upon Thames, Surrey (01-546 7799).

High speed printer range

TREND Communications, the data communications division of Philcom, has introduced a range of high speed printers. The 900 series comprises two dot printers which have speeds of 200 and 400 characters respectively.

The company says that both models offer bi-directional, full logic seeking, high resolution printing and graphics up to 4,000 dots per second. More details are available on 06285 24977.

LOCAL NET 83 Europe

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Localnet '83 will be the largest specialised local area networks event to take place anywhere in Europe.

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Admission to the exhibition, will be by ticket only—£2.50 (including VAT) available at the door.

Exhibition hours
Tuesday 8 March 10am–6pm
Wednesday 9 March 10am–6pm
Thursday 10 March 10am–4.30pm

The conference which is two stream, has attracted more than 300 delegates worldwide. One stream concentrates on advising prospective purchasers regarding current products, while the other is of a more technical nature and examines in greater depth new developments and industry standards.

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Software for Apple users

Office packages available from Heyden Datasystems

New U.S.-written software for users of the Apple II microcomputer in the office and the laboratory is now available from Heyden Datasystems.

The packages for the office include "Quelx Search Librarian" a bibliographic database and retrieval package, which the company says, makes it easy to build and operate catalogues and files of literature references.

It will search at the rate of 50 articles a second and sort at 40 articles a second. Up to 1,000 articles and descriptions can be stored on each disc. "Vidichart" allows the simultaneous display and

manipulation of four sets of collected data and interfaces with Adalab, the Apple laboratory interface or any analogue to digital converter.

Other laboratory packages include a graphic software package which allows sophisticated curve fitting and data plotting routines. "Tempense," a temperature monitor accessory which interfaces with the Apple Adalab and "Chromcard" which connects Apple's to any chromatograph. The packages are written by Heyden Data Systems and Heyden's London office is on 01-263 5171.

Technology company. The Codenet units are completely plug compatible with all Ethernet equipment. More on 0826 35411.

Robots
Swiss unit for UK

THE SOURIS Microbot, a miniature robot from Switzerland designed for component transfer, test and insertion in light precision engineering and electronics, is being made available in the UK by Concentric Production Research of Sutton Coldfield (021 355 1266).

The unit can handle loads of up to 0.1 kg with an accuracy of 0.01 mm. Movement, which can be pneumatically or electrically produced in up to eight axes, can be completed anywhere within the working orbit in 0.5 sec.

The controller has 16k of non-volatile memory, and there is a facility for cassette recorder program duplication. Programming can be either step-by-step or directly interactive.

SM

The Scottish Mutual Assurance Society

Extract from the Statement in the 1982 Annual Report and Accounts by the Chairman, H A Whiston, CBE.

At the start of this, our centenary year, it gives me great pleasure to draw to your attention the excellent results achieved by the Society as evidenced by the bonuses declared for the last 10 years and the new business secured during 1982. Both these records are and proof that the Society is in good heart.

Bonus declaration

The new bonuses reflect not only the high levels of investment return which have been generally available during the triennium but also the particular success of our investment policy which has produced significant capital appreciation as outlined later in my review. Part of this capital appreciation has been brought into account to enable us first of all to reward our "with-profits" policyholders with a special additional bonus, and secondly to strengthen further our actuarial reserves. The strength of a life office can be judged by the amount and the nature of both the actuarial reserves and the assets held to meet its liabilities. By this searching standard there is no doubt that the Society is in a very strong financial position.

There are two other features of the Bonus Declaration which I should mention. We have taken the opportunity to recast and improve the level of terminal bonuses currently being paid on the vast majority of death and maturity claims. For the future, we have decided to change to an annual declaration of bonuses.

New business

The new business results for 1982 give much satisfaction, especially the 34% rise in new annual premiums for ordinary life business which is significantly above the average for the industry. Once again these results have been helped by the pioneering approach taken by the Society in the introduction of non-smoker discounts to the UK life assurance market. Others have now followed our lead but few offer these discounts over the same wide range of contracts. Other changes have been made to various individual contracts and all have been marketed in a positive way to our obvious advantage. Single premiums received in

1982 were more than double those for the previous year.

The pensions market was not so buoyant but we were able, unlike many competitors, to secure a modest growth in new business despite the difficulties faced by our policyholders as a result of the black economic conditions. However, we do see a brighter future for pensions business and in this connection have made a number of important commitments to our product range. These include a new "money-purchase" contract to meet the needs of those employers who now prefer to make a fixed financial contribution rather than have an open-ended liability for pensions linked to final remuneration levels. We have also added "return of fund" facility to our executive pensions contract.

Insurance Ombudsman

In the autumn the Society joined the Insurance Ombudsman Bureau, an independent body established in 1981 to investigate complaints against Bureau members. We receive few complaints and these are always investigated promptly and thoroughly by senior management. Nonetheless it was felt desirable and proper to reinforce this position by giving any dissatisfied policyholder the opportunity to have an unresolved complaint considered by this independent body.

Investment

Around the middle of 1980, when we realised that the recession then developing was likely to be unusually severe both in depth and duration, we reduced our holdings of ordinary shares significantly. The proceeds from these sales were gradually reinvested in long-dated British Government securities in anticipation of falling inflation rates and hence falling interest rates. This strategic move has been highly profitable, as evidenced by the significant increase during 1982 in the capital appreciation of our invested funds. This rose from 26.2m to 215.5m prior to the transfer of £35m to the revenue account. In 1982 long-dated British Government securities gave an overall gross return from interest and capital in excess of 50%, as against 30% for UK ordinary shares.

The Annual General Meeting of the Society takes place in the Central Hotel, Gordon Street, Glasgow, on Wednesday 23 March 1983 at 12.15 pm. Copies of the full Annual Report and Chairman's Statement can be obtained from the Secretary, 109 St. Vincent Street, Glasgow G2 5HN.

1983

The Scottish Mutual Assurance Society

Head Office: 109 St. Vincent Street, Glasgow G2 5HN

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Product design: Baker Perkins

'You have to have a long-term plan'

BY CHRISTOPHER LORENZ

MIKE SMITH and Charles McCaskie are unusual animals. Unlike most other top managers in the recession-devastated British engineering industry, they positively exude confidence and cheerfulness.

Their company, the main UK manufacturing arm of the Baker Perkins group, has by no means been spared the pain of profit cuts and job losses, but with the help of aggressive product, manufacturing and marketing policies grafted on to a strong base—as market leader in a series of specialised process machinery markets, many of them international—it looks like coming through the recession with most of its businesses in a stronger position than before.

The company's recipe for success includes not only its much-publicised pioneering of computer aided design and manufacturing—the dreaded CAD/CAM, which has made it the government's favourite "model" for other companies—but also an unusual readiness to think and act long-

term in the face of a welter of negative short term pressures.

Smith and McCaskie would disagree most violently with the director of a troubled engineering company who, in a most revealing report from the front line, argued on Monday that in the current economic climate there was little point in trying to plan future corporate strategy: "Next month is a long time ahead when survival is uppermost in everyone's mind," he wrote on this page.

Not for Baker Perkins. Though Smith and McCaskie would entirely concur with him about the need "to be quicker on our feet in every possible way," they are emphatic that "you have to have a long-term plan." This is not just to "see the wood for the trees" among all the confusing signals from the economy, competitors and customers (provided, of course, that you still have any), but also in order to be able to pre-empt pressures from all three sources. With some form of long-term plan which lays out your strategy, however flexible,

"you can only be reactive," says Smith.

Without this agreed framework, the company could not have carried through the redoubled commitment to product design and innovation which is such a key element of its own survival strategy. Unlike many other companies in the face of recession, "we took it as a prime objective to retain our investments in design and innovation because we saw new products as our way through," says Smith, who is managing director of Baker Perkins Limited, the main UK manufacturing arm of Baker Perkins Holdings. Limited accounts for about half the group's 1982 sales of £138m and just over a third of its labour force of 6,300.

As a result, McCaskie, who is Smith's technical director, reckons that as much as 70 per cent of Limited's turnover this year will be from products which have been launched in the past five years. This applies right across its three main divisions: all its printing machines are new, as is most of its bakery equipment, and much of its biscuit-making

and cutting machinery.

Any German or Japanese manufacturer would be proud to boast such a record of innovation. Which is just as well for Baker Perkins, since its prime competition stems from precisely these countries, plus the United States.

Over the last few years it has also managed what can be an opprobriously wasteful and time-consuming process with increasing effectiveness: the development-to-delivery cycle for some products has been nearly halved. As U.S. and European motor manufacturers have learned to their cost at the hands of the Japanese, a short product development cycle is a critical competitive weapon in itself.

One of the main ways in which Baker Perkins has achieved this streamlining is to give an unusually central role in the product development process to industrial designers. Smith raised eyebrows some time ago, at a top level government-backed meeting on product quality and design, by claiming that from a very early stage in the product life cycle his

designers now acted as "product planners"—a term that implies co-ordination. They "no longer designed pretty guards to wrap our products in," he insisted, "but became the catalyst, the bridge, the catalyst."

For a group of officials and managers used to treating industrial designers as little more than ergonomists and stylists brought in at the end of the development process, this was heady stuff, especially as it came from someone who made up of all things, machinery, and who sells almost exclusively to industrial customers.

Yet Smith means precisely what he says, as the article below demonstrates. The way in which the designers, including a former church organ maker, have helped break down the barriers between different departments provides an object lesson for any sort of manufacturer or retailer desperately trying to gain an extra competitive edge.

Martin Wray of work from organ-builder to "catalyst" in the development of heavy machinery



Mike Smith (left) and Charles McCaskie

Executives in Europe lack drive

A DEPRESSING lack of ambition among European executives is the picture that emerges from a new comparative study of Western businessmen.

They do not aspire to such heights as their American cousins, says the study: almost 30 per cent of more than 900 European executives believed that they would never achieve their life's ambition and only about 45 per cent thought that they would.

In contrast, according to the latest issue of International Management Magazine, a hefty 65 per cent of 1,400 U.S. managers had hopes of getting where they wanted to go. Only a fifth of them had negative feelings about climbing the promotional ladder.

In national terms, the most positive responses among European executives were made by Swiss, Italians and Danes. The British were the most negative: around 40 per cent of UK respondents did not feel they would ever fulfil their ambitions.

The survey highlighted other significant differences in attitudes towards corporate life between U.S. and European businessmen.

When asked to pinpoint what gave most satisfaction in their lives, almost half of the European executives chose their home life and a third cited their careers.

In the U.S., the picture was reversed. A majority of American executives felt that their careers provided their greatest satisfaction; senior managers attached significantly more importance to their careers than did middle- and supervisory managers.

There was a similar divergence of attitude over willingness to uproot families and move to a new location for higher pay and more responsibility.

More than half of the European respondents said they would turn down relocation. The equivalent response from U.S. executives was 10 per cent. The proportion of European managers willing to relocate five years ago was 70 per cent, compared with 47 per cent today, the survey notes.

Arnold Kransdorff

The strategic thinking

Leapfrogging the competition

SEVEN years ago Baker Perkins was in a fix. For many years its printing machinery division had sold one type of web offset machine, known as the "satellite" design. Its main international competitor, Harris Corporation of the U.S., had backed an alternative design, the "blanket to blanket" press. (Don't worry about the jargon, just enjoy the rich images it evokes.)

As "blanket to blanket" technology improved, other competitors followed suit. So, especially in the U.S., Baker Perkins was already well-established, did the most rapidly growing and lucrative part of the market—not newspapers, with which the company had done considerable business, but the printers of magazines and brochures.

As a result, a range of half-a-dozen "satellite" products, plus a major new development project, had to be scrapped. Instead, the company embarked on a £2m-plus development programme designed to leapfrog ahead of the competition

into the very top end of the blanket-to-blanket market, with a machine that can print 32 pages at once.

It was a bold, all-or-nothing, step, with level of complexity and cost several times what Baker Perkins was used to; this is true even if one takes account of a 25 per cent government grant which reduced the project's risk to measurable proportions.

Rapid rate of knots

Less than three years later, first orders were being delivered. It was in spite of the intricacies of using CAD/CAM for the first time, and having to develop micro-electronics expertise at a rapid rate of knots (with the help of Pat-centre, the technology and product development arm of PA International, the management consultancy).

Since then, Baker Perkins claims to have outsold its chief

U.S. competitor by two-to-one, and to have taken about a fifth of the world market and 70 per cent of the North American market for these big machines.

Which won a Queen's Award for Export in 1981. Excluding the beneficial impact of the government grant, the product began making money last year, four years after the launch of the prototype and a good six years from the very initiation of the project; such can be the long-term stakes in this business, even if your product is a remarkable bit.

By late 1980, Mike Smith, Charles McCaskie and the management of their printing machinery division began to get to grips with how to penetrate down-market, with a slightly slower, 16-page machine. Not only were potential customers beginning to invite them to do so, but they had to broaden the product range in order to reduce the division's vulnerability to a single product/market segment, and at the same time gain economies of scale from a range of modular

products sharing as many common components as possible.

The story of the development of this second printing press underlines the increasingly central role of the company's industrial designers. Together with a senior design engineer (the team leader) and a production engineer, one of the half-dozen designers now forms the core of each of the inter-departmental "product teams" through which Baker Perkins manages the development of every new product.

Martin Wray, a former church organ builder and subsequently a student at London's Central School of Art and Design, was the industrial designer on both of the printing press projects. In a new book about the work done for manufacturing industry by former Central graduates, 35-year-old Wray summarised the pivotal role of the industrial designer at Baker Perkins in typically modest fashion. Not only does he have particular responsibility for appearance, ergonomics, hygiene and safety, he wrote, but "his sketching ability is also used as a communication link between members of the design team, other parts of the business and the customer."

Or, as the company's top industrial designer, Leslie Balders (a Royal College of Art graduate) puts it: "We're in touch with what's going on in all aspects of the business." Hence the industrial designer's ability to act as what managing director Michael Smith calls the "product planner."

Charles McCaskie, the technical director, explains the industrial designer's role with the help of the classic statement that "engineers are good at analysing, industrial designers are good at synthesising." It also stresses the extreme importance of the designer as communicator.

Himself a mechanical engineer, he says that "engineers tend to focus on cogs, wheels and mechanical forces, rather than on the product as a whole." It is not just engineers and marketing people who seldom speak the same language, he says, but also the design engineer and the production engineer. "A manufacturing guy doesn't understand the process of printing at one speed rather than another," he says. "It's not part of his culture."

In other words, there are considerable inter-disciplinary communication problems even in a company such as Baker Perkins, where, to quote Mike Smith, "we tend to collapse the dividing lines between departments, to think in terms of interlocking circles rather than boxes."

On the second printing press project, Martin Wray was synthesising the analysis of his various colleagues—and adding some of his own—right from the very start in January and February 1981 during the all-important specification phase.

Difficult task

It was through specification-writing that industrial designers really began to be influential at Baker Perkins in the early-to-mid 1970s (the first was employed in the late 1960s). To synthesise the specifications of the marketing, engineering and manufacturing people can be an appallingly difficult task, which is why so many companies find, for example, that their new products suit the customer but are difficult and expensive to manufacture. Or the product proves easy to make, but fails to meet consumer

needs. It all depends on who gets the upper hand.

It is equally possible that the various sides settle on a weak compromise which suits nobody, and once launched on the unsuspecting marketplace, proves a dud formula on all counts.

During the specification phase Wray played what Michael Smith considers a crucial role in challenging the proposals of several specialists—including some which concerned the key question of which market segment to go for, and therefore precisely which performance characteristics to specify.

And during the subsequent 12 weeks, when the product team was trying to establish whether it would be possible to make the new press to the extremely tough target costs that had been agreed as necessary (30 per cent cheaper on a comparable unit cost basis than the top-of-the-line machine), Wray's sketching ability proved vital in establishing a basis for the intricately detailed communication which had to take place between the various parties.

Simplest solution

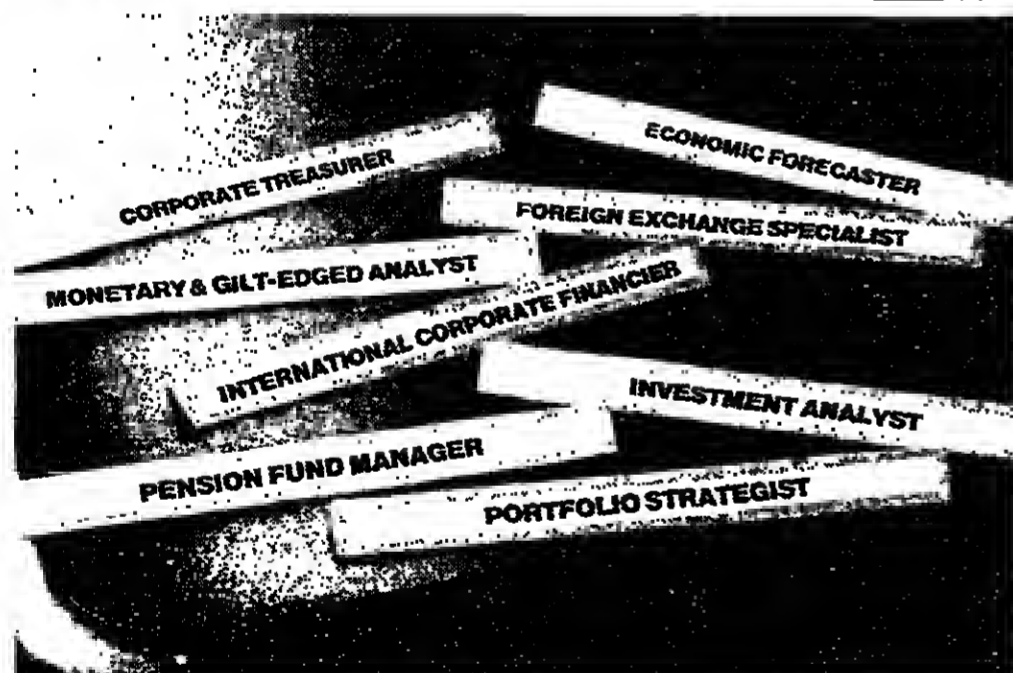
His imaginative proposal of several new concepts for certain components were also of considerable assistance in getting the cost down. "Engineers can't sketch—they're not trained to," says McCaskie. "And their imagination can be dead, too," he says. "Sometimes they miss the simplest solution."

And so the catalogue of industrial design virtues continues, right down to what Americans call the "bottom line": the ability of industrial designers to shorten the product development cycle not only indirectly, by helping specialists communicate with each other, but also directly by accomplishing through a few quickly-drawn sketches what would take an engineering draughtsman weeks to do, even with the help of CAD/CAM. The entire development-to-delivery process took only two years on the second press, the first of which is currently being installed in Chicago.

Added to all this was some more obvious but nevertheless important work on aesthetics and ergonomics, including requirements for easy field installation and maintenance, plus the resolution of some very tricky safety aspects to do with access to the top of the press.

Unlike certain motor companies, Baker Perkins is also using the conceptual skills of its industrial designers to improve its technical manuals, and even now to give a completely new dimension to some of the discussion in its corporate plan about future factory layouts and workdays.

A behavioural scientist was asked to study the company's use of industrial designers, he or she might well conclude that they are combining as many as half the key skills which are generally considered necessary to the success of a management team. At one and the same time, they seem to be acting alone or in conjunction with the product team leader, as co-ordinators, ideas men, critics and what is known in the trade as "inspectors" or "completers." This is a far cry from the stereotype view of "designers as stylists" which is still all too common in industry today.



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APPOINTMENT OF CONTRACTOR FOR THE INDEPENDENT RADIO LONDON (GENERAL AND ENTERTAINMENT) SERVICE

Applications for the contract to provide the Independent Radio General and Entertainment service in London are invited by the Independent Broadcasting Authority.

Under the terms of the Broadcasting Act 1981, the IBA is re-advertising this general and entertainment franchise within eleven years of the introduction on October 16th, 1973 of the service provided for listeners by Capital Radio Limited.

A document containing particulars, including a coverage map and details of the information required from applicants may

be obtained on written request from the Secretary to the Independent Broadcasting Authority, 70 Brompton Road, London SW3 3JE. The contract from October 1984 will be subject to a statutory maximum of eight years, at which point the franchise must, under the terms of the Broadcasting Act 1981, be re-advertised again.

Applications should reach the Secretary to the Authority not later than noon on Tuesday 21st June 1983. The Authority aims to award and announce the offer of contract from October 1984 during the autumn of this year.

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Friday March 4 1983

A dangerous trade game

GIVEN that Britain ran a balance of payments surplus of £4.5bn last year, the concern of some ministers and backbench MPs over a "flood of imports" might seem a little paradoxical. But with election looming and the unemployment figures looking forever dismal, the pressure on politicians to retreat into bilateralism on trade issues is now at peak level.

This is becoming increasingly apparent in the present dispute between Britain and Spain over access to the Spanish car market. The game of threatening retaliation as a last resort in pursuit of greater liberalisation of the Spanish market appears dangerously close to getting out of hand.

One reason for this is that there is an all-too-legitimate grievance against the Spaniards. The level of import duties on Community cars entering Spain is relatively high at 36.7 per cent, whereas the import tariff the other way is only 4.2 per cent. Even after allowing for the various taxes levied by the British and Spanish authorities, British exporters, of which BL is the most important, are at a significant disadvantage.

These tariff barriers may have been tolerable, as a means of infant industry protection, when they were fixed between Spain and the European Community in 1970. But Spain's industrial position has since been transformed: the country is now a bigger exporter of cars than Britain. Under financial pressure BL was obliged to pull out of its major investment in Spain in the 1970s. So it now finds itself at a disadvantage against those car manufacturers such as Ford and General Motors which are using Spain as the base for large-scale exports.

For good measure Britain has also been running an overall trade deficit with Spain. So it is scarcely surprising that the Midlands Tory MPs and some ministers in Cabinet are on the warpath. So far the European Commission has pressed for concessions on Britain's behalf. And the Government has pressed bilateral negotiations for significant changes on the Spanish side which would involve a

graduated reduction in both tariffs and taxes over the period before Spanish accession to the Community. These moves have so far failed to produce much progress. Hence the growing frustration.

The generalised case against selective retaliation in these circumstances is that it breeds further retaliation and carries a high economic cost for all concerned. There are, moreover, never powerful reasons for not resorting to a bilateral solution in the specific case of Spain, which relate to the response of the Spanish car producers concerned. Ford, for example, is increasing output of the Fiesta at Dagenham and expects its British subsidiary to reduce its dependence on Spanish sourcing this year.

Argument

Perhaps the overwhelming argument against allowing the threat to be translated into reality lies in the fact that Ministers would be responding to the last crisis but one. Under a floating exchange rate system Britain has, since last November, seen a devaluation of comparable size to the one over which the Wilson Government agonised in 1967. So the competitive position of BL both in domestic and foreign markets has dramatically improved. That is of infinitely greater importance than responding to the last crisis but one. Under a floating exchange rate system Britain has, since last November, seen a devaluation of comparable size to the one over which the Wilson Government agonised in 1967. So the competitive position of BL both in domestic and foreign markets has dramatically improved. That is of infinitely greater importance than responding to the last crisis but one.

The trouble with that, however, is that it does not satisfy the need of politicians for a tangible gesture to offer to the voters. The impersonal workings of the foreign exchange markets are not something for which they can take ready credit. And they also take time to work through to the manufacturing sector.

The fact remains that a multilateral solution to the problem is more likely to benefit workers than the protectionist measures which are being resorted to. It would be most unfortunate if the Government gave way to the political pressure applied by a special interest group just when the economic pressure is easing up.

Accountants take stock

THAT SUCCESS brings its own problems clearly became apparent from the experience of the largest and most highly regarded of the accountancy professional bodies, the Institute of Chartered Accountants in England and Wales.

Membership has soared in recent decades, rising from 19,400 in 1956 to nearly 75,000 today. In addition there are over 14,000 students, and more than three-quarters of these are university graduates. The profession of how strong the profession's pull is for many of the country's brightest and most ambitious youngsters. Something like one-in-eight of all male graduates in England and Wales now enter the accountancy profession.

Yet at the same time the English Institute has been racked more and more frequently by internal dissent. The colourful row over current cost accounting, in which the rank and file expressed their frustration over the policies of the leadership, was only the most public of these disagreements. More fundamental disputes over issues like publicity or training in industry simmer on. Meantime relations with the other, smaller, accountancy bodies are sometimes prickly as illustrated by the current rather silly, but revealing, row with the Institute of Cost and Management Accountants over the latter's proposal to adopt the title "chartered".

Analysis

The growing size and complexity of the Institute has caused it to commission a report on its governing machinery from Mr Robert Tricker, of Nuffield College, Oxford. This was published yesterday, with heavy emphasis that it is a personal view and not an official policy. At least a year of debate lies ahead before the council will produce its own Green Paper.

The Tricker report is a stimulating analysis of the Institute itself, and of the governance of a wide variety of other proposals that the Institute should switch to a more divisionalised structure, involving a small number of

specialised "conferences" in which public company audit or financial management, grouped beneath a strengthened central board including a powerful executive director of the Institute.

Mr Tricker emphasises, however, that his analysis of the Institute is more important than the particular proposals which he sets out in his closing chapter.

Failure

Certainly there will be doubts expressed about his approach. The institutionalisation of divisions within the membership would carry the risk that the various conferences would be in public dispute on many important issues. It might then be only a small step to the break-up of the Institute.

The main failure of the report relates more to the original council brief than to the report itself: in concentrating on the Institute rather than on the profession as a whole, it takes too narrow a view of the possibilities. In particular, it rejects too swiftly the idea of a smaller, more specialised Institute, the so-called "Concentration Option".

A non-accountant cannot be so impressed with the need to hold the Institute together at all costs. Under the Tricker proposals the glue to keep the various conferences together would be the label "chartered accountant" which in the UK carries a higher prestige, and a greater commercial value, than the other accountancy qualifications. Defectors would risk losing this symbol of quality.

But there is no comparably broad professional group in North America or Continental Europe. And it can be argued that the development of business schools and other forms of management training institutions has been harmfully inhibited in the UK by the pull of the not wholly appropriate ICA qualification.

It is now up to the members of the Institute to debate their future. The Tricker report has proposed a compromise between the existing structure of unhappy unity, and the more radical possibilities of federalisation or outright separation. On recent form, the debate will be a lively one.

TALKING TO Mrs Gandhi, ruler of the world's largest democracy, is a little like having a drawing-room chat with a middle-class Indian housewife. She almost wills the listener to believe in her ordinariness.

She can be charming, direct, obtuse, frosty but never pompous—and, for a woman who has been in power for 15 years, curiously diffident.

"I am not at all powerful. I can assure you. I wouldn't have to work so hard if I were powerful. I don't mean I'm a weak person," she adds, "or that I am weak in government. When you use the word 'power' you mean I can do anything I want."

The rest of the sentence fades away as it often does when she feels she has said enough.

Indira Gandhi is, far from ordinary. She has ruled over 720m people, manipulating the democratic process inherited from Britain to stamp her personality on this awesome country during four terms of office.

Her father, Jawaharlal Nehru, was India's first Prime Minister and he ruled for 17 years. She has perpetuated that dynasty, forging a strategic alliance with the Soviet Union, reinforced India's non-alignment, built up its economic self-reliance only to start dismantling it and, in 1975, suspended democracy in effect declaring martial law. She is both adored and bitterly resented in a country where every issue becomes personalised.

Today, she is in trouble. It has been a bad month for her, her party and for India, and she is understandably on the defensive. She looks tired and drawn.

The massacre in the north-eastern state of Assam, in which over 1,000 people were slaughtered, is only the latest in a series of communal clashes which have underlined the fact that India is a backward country fragmented by race, religion, language and a feudal class structure.

If followed closely on the devastating defeats in southern India in two states long regarded as impregnable bastions of Mrs Gandhi's ruling Congress (I) Party. Her charisma and her will to fight are being tested as never before.

The House of Nehru is under siege. India, to quote one of only two other prime ministers to have briefly interrupted its dynastic rule, has become a vast whispering gallery of character assassination and intrigue directed chiefly at Mrs Gandhi and her elder son, Rajiv, who is widely believed to be her chosen successor. Yet it is rare to find anyone who can suggest a workable alternative.

Her enemies claim that all this has happened precisely because she is both too powerful personally and too "weak in government." She should tackle the root problems. Restructure her government, implement her policies. Instead she tinkers in order to keep potential rivals at bay and secure the succession for Rajiv who left his job as a pilot on Indian Airlines to take the place of Mrs Gandhi's younger son, Sanjay, after his death in an air crash in 1980, a devastating blow from which she may not yet have recovered.

It therefore has to be asked: Can Mrs Gandhi continue to govern effectively? The answer is central to the future of India because at 65, despite her faith

Alain Cass, Asia Editor, talks to Mrs Gandhi at a time when her leadership of India is coming under renewed attack

'I am not at all powerful, I assure you'

Mrs Gandhi: "I am always misunderstood... I don't have an ivory tower but I've always been in a glass house"

In a smooth succession, she towers above her opponents as the only figure of national stature and Rajiv, a long way from being ready to take over. It is also crucial, because the opposition's attempts to provide India with a viable alternative in the brief interregnum between 1977 and 1980 ended in chaos. And today even that imposition is in pieces.

Last week, as she coped with her problems and prepared for Non-Aligned summit which opens in Delhi on March 7, Mrs Gandhi talked for nearly two hours about these and other key issues in a rare interview at the prime ministerial residence.

Mrs Gandhi vehemently denies that she is bent on perpetuating the Nehru dynasty. But she does say that her family has a special place in Indian history. The constant theme throughout her political life has been a struggle to reconcile a tendency to be autocratic with a deep-seated attachment to democracy.

She is not, she insists, a king-maker. "The biggest person in our country was Mahatma Gandhi," she says, "and even he didn't have that power. In the beginning there was a lot of talk that he had chosen my father and that he wasn't the right man for the job."

"I got quite agitated and went to see him. I said: 'You have no right to do this to my father. You should allow the Indian people to have whom they want.' He said: 'My dear child, do you

think that I can do that? He is the choice of the people and I have chosen him because I think the people want him.'"

Why then do people say she wanted Sanjay and now Rajiv, whom she has appointed a president of her party and is a member of Parliament, to succeed her?

"I'm built up by the press and the opposition. Rajiv was extremely reluctant to come into politics. He didn't want to. Sanjay didn't want to. But a lot of people say we can only tell certain things to you or to a member of your family," she says by way of explanation. "But that has nothing to do with leadership. It is just a channel (to me) through somebody who has no personal axe to grind."

But when Sanjay, more powerful and certainly more ruthless than his brother, was killed, she instantly turned to Rajiv.

"There is no question of turning. I hadn't turned to Sanjay. He was doing his own work. Even now, I don't know what Rajiv is doing unless he comes and tells me."

Would she like Rajiv to become Prime Minister of India?

"No. Very definitely not. I didn't want to see Sanjay and I don't want to see him. It is just too hard a life the way we take it and I know they are in the same mould. I am not doing it out of choice, believe me. If I could have got out of it, I would never be here. I wanted to be a teacher, and



Trevor Humphries

often sees her job in that way. Mrs Gandhi was conditioned by a harsh and lonely childhood to trust no-one, which may explain why her answers sometimes sound contradictory, even improbable.

She adds: "I am misunderstood, not often, but always."

And to those who say she then retreats stubbornly refusing to take advice, she replies: "I don't have an ivory tower. I wish I had but I was born almost publicly and I've never been able to be anywhere but in a glass house."

She is not, she insists, authoritarian. Told that people around her are frightened of her, she snaps: "That is very silly of them."

The glass house at No. 1, Safdarjung Road, was cracked last year when Maneka Gandhi, Sanjay's attractive and intensely ambitious widow, was shown the door by Mrs Gandhi in a classic replay of the mother-in-law versus daughter-in-law feuds which so often provide subjects for India's prolific film industry. Over-night, a family squabble, in which Maneka took Mrs Gandhi's adored grandson, Varun, with her became a national spectacle and a political event.

Maneka is expected to form a political party soon and to pit her undoubted charisma against Rajiv in a by-election.

If she were to win, that could prove disastrous for both mother and son.

Mrs Gandhi, is laconic,

merely saying that, so far, Maneka has offered "no programmes, no policies. She adds that she would not be hurt if Maneka stood against and beat her brother-in-law. "It all depends on what she has to offer public life."

More serious is the visible collapse of the Congress (I) party which, she readily concedes, has become "flabby, fragmented and has failed to move with the times. She also admits that many in the party are corrupt. She pledges ruthlessness in weeding them out and says the party needs a thorough shake-up. They have to face the problems of today," but adds, "no party has changed. All parties are living in another age."

Regionalism and extremism, she contends, are on the rise partly because the cohesive force of the freedom struggle is no longer there and partly because of the democratic process itself and the plethora of parties."

She said nothing for three weeks after the defeat in Andhra Pradesh and Karnataka and says philosophically: "You can't keep on winning. Nevertheless, the changes she has made since then have not been as far-reaching as she claims and the next general election must be held within two years."

What happens if she falls under a bus meanwhile? "I won't fall under a bus," she smiles, "but I could be bumped

off." And Rajiv is the obvious successor? "There is no obvious successor," she replies, "that's just the point. If there were, the rest of the party would be trying to bring him down."

Would she declare another emergency? "No. It wouldn't work—you can't give the same medicine twice." Neither, she says, would she change the constitution to introduce a presidential system of government, something which she is believed to have considered but appears to have rejected or, at least, temporarily shelved.

A remarkable fact about India is that it is one of the few ex-British colonies where the army has not intervened. Could there be a coup? "It would be very difficult for the military to cope without the co-operation of the population. Fortunately, the forces are very loyal and this is the only country where almost the entire population was involved in the freedom struggle. That makes a big difference."

Since her return to power in 1980, Mrs Gandhi, who won her spurs in the old Congress both as a socialist and a stout defender of India self-reliance, has started an important process of change. She has begun to dismantle many of the controls on India's private sector economy in an effort to get production moving. She negotiated the big real-estate loan with the International Monetary Fund and has tried to mend her fences with the U.S. who are distancing herself from the Soviet Union (which last year nevertheless became India's biggest trading partner) largely because of the invasion of Afghanistan.

She sees the world today as "in a much bigger crisis" than when her father ruled the problems "more complex and numerous" requiring greater flexibility. She believes the Indian economy is stronger and can, therefore, take greater competition. She would even consider opening up "core sectors," such as steel and textiles, to foreign technology.

"Our stand has never been rigid," she says. However, she adds that while she can't at the moment foresee a situation where controls would be clamped on again, both on imports and the domestic economy, "it would depend on circumstances and conditions."

She volunteers that her visit to the U.S. last year was a public relations exercise which has made no difference to government to government relations. The ideological gap remains huge. "They see things in black and white, either you're with them 100 per cent or against them," she added.

She says, she is "full of regrets about her life. Everything could have been done better, had I been pressing harder." Mrs Gandhi may be proud, occasionally arrogant, but she is also, one suspects, deeply insecure.

She takes credit for some of the huge strides which the Indian economy has made (even though 300m Indians still live in object poverty) and for the survival of democracy. Her critics scoff but against all advice, she did go to the polls in 1977 and lose.

"I have a special relationship with the Indian people," she says. "Mahatma Gandhi was loved as somebody above. My critics speak of me as if I receive love as an equal. I felt it when I was out of power, when the whole publicity was saying 'she is finished and she is never going to rise again'."

Men & Matters

High flyer

Saudi Arabia's rulers have 15, Coca-Cola has four, American Express, three. And the Aga Khan has one.

Gulfstream executive jets really have taken off since Allen Paulson bought the business from Grumman in 1978 for \$32m in cash and \$20m in stock. Despite the recession, sales have continued doubling to \$442m in 1981, and up again to \$582m last year. Some 600 of the planes are now in service.

Paulson was in London from Savannah, Georgia, yesterday to sign the contract for 200 Rolls-Royce Tay engines—at around £1m apiece, a substantial boost for the company, which will power the intercontinental Gulfstream IV due for delivery in 1986.

Paulson was in London from Savannah, Georgia, yesterday to sign the contract for 200 Rolls-Royce Tay engines—at around £1m apiece, a substantial boost for the company, which will power the intercontinental Gulfstream IV due for delivery in 1986.

He has flown a variety of experimental aircraft; and takes to the air as often as possible in his company's jet or his own "helicopter." His only other relaxation is tennis.

He reels off details of the Gulfstream's technology and design, the resale of \$50m development programme which, he says, has left his competitors far behind.

In the last 10 days, he has secured orders for 16 of the new aircraft at \$13.4m each. And he is confident that his long-standing customers among the Fortune 500 companies and in the Middle East and Africa will come back for more.

Paulson, last year's recipient of the Doolittle trophy for "exceptional technical, engineering and management accomplishments in the aerospace industry," served in the U.S. Army Air Corps towards the end of the war. Afterwards he worked as a flight engineer for TWA.

major parts suppliers to U.S. airlines.

In 1981, Paulson moved into the aircraft conversion business, building up a \$35m turnover, before eventually acquiring Gulfstream, and in 1981, the Commander jetprop business from Rockwell International.

His Gulfstream Aerospace plans its first public share issue later this month—a move that should yield Paulson around \$60m and still leave him holding three-quarters of the company stock.

Inside view

Not even HM prisons are safe, it seems, from the facts that sweep the population outside the walls.

According to a report on Nottingham prison, published yesterday, inmates are shunning the evening classes there to watch video programmes.

"The educational department provided a good day-time remedial programme but evening classes were losing popularity in favour of the video recorder in the recreation association area," says the Chief Inspector of Prisons.

"A reduction in the number of evening classes seems inevitable with some impoverishment of the regime resulting."

Attendance at keep fit sessions had also been affected but absentees were now returning. The novelty must be wearing off, the report suggests. But it could be they have been watching escapism films.

Australia quiet

Australia goes to the polls tomorrow and for three days before the vote the electorate is having to endure a total ban on electronic media coverage. All election news is banned from the airways. The idea is to protect the electorate (seen by the leaders of all parties as volatile



"They voted for a secret ballot, but we all know how unreliable a show of hands can be."

material) from being stamped by false and fictitious claims in the last few hours.

The airways are now at peace—except for traditional Aussie fare such as Sale of the Century, MASH, Michael Parkinson, The Love Boat, and Charlie's Angels.

To ward off withdrawal symptoms the Sydney Morning Herald has compiled the following imaginary talk-back conversation. Between Sydney radio chat show host John Singleton and an imaginary listener, it captures the flavour of an Australian election.

Singleton: "Ah, Hello."

Caller: "Ah, Giddyay."

Singleton: "Giddyay. How are you?"

Caller: "Orrig'at mate. Yerself?"

Singleton: "Oh. She's not too bad. Whaddya wanna say?"

Caller: "Ay?"

Singleton: "Y'know, 'Bout Hawke annal, Thealection."

Caller: "She's a beauty mate. Spot on."

Singleton: "Spot on. Yer reckon Whoya rootin' for?"

Caller: "Bob, mate. He's the go. Bendy. Always said so. Spot on."

Meanwhile, insults are being

exchanged with growing abandon in the real campaign.

Andrew Peacock, "the Sunlamp Kid" of Australian politics, and the outgoing Liberal government's Minister for Industry and Commerce—has accused the Labor party of being "economically illiterate and patently dishonest."

Labor's economic spokesman Paul Keating reports that Peacock is "disgracefully, grossly irresponsible, negligent of the national interest... and wrong."

Prime Minister Malcolm Fraser suggests that voters' savings will be better under the bed than in a bank if Labor wins office.

Don Chipp, leader of the minority Australian Democrats, is devoting himself to out-insulting his bigger rivals. His party is needed, he says "to keep the bastards honest."

Commons touch

Norman St John Stevas appears to be unbowed by the difficulties he is facing finding a safe Parliamentary seat after the forthcoming boundary changes.

Waxing enthusiastic about the importance of the Commons yesterday during the committee stage of his private member's Bill on parliamentary control of expenditure, he said: "When people get into the Cabinet, they believe they are some kind of superior hierarchy. I do not wish to give Cabinet secrets away."

At this fascinating assertion a Labour member shouted "Go on, Norman."

The member for Chelmsford obliged—very well. I once said to my Cabinet colleagues, "What are we, but a lot of jumped-up MPs?" That did not find universal favour."

And that perhaps explains why St John Stevas is on the back benches again.

Observer

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POLITICS TODAY

The need for electoral reform

By Malcolm Rutherford



WITH HINDSIGHT the most remarkable fact about the by-election in Bermondsey last week, apart from the result, was that hardly anyone talked about politics. Certainly not in the post-election analyses, but not very much in the campaign either. It was all about personalities and numbers: tactical voting.

The Liberal candidate won not because there is a sudden resurgence of belief in Liberalism, or even in the Alliance, but largely because it was the only way of keeping out Mr Peter Tatchell.

This kind of electoral behaviour will be of profound significance for the future of British politics, if repeated at a national level. For instance, though this is emphatically not a prediction, it is perfectly possible that the result of the by-election in Darlington on March 24 will be as follows: Alliance first, Labour second and the Tories third.

Tory voters looking for somewhere else to go

Tories barely saving their deposit.

How could such a result come about in a constituency where the Tories were in a commanding position at the last general election and the Liberals polled little more than 10 per cent of the vote?

The answer is threefold. The Alliance is on a high, especially after Bermondsey, and is a vehicle for the Tories vote which has been in by-elections for many years. There still appears to be a core Labour vote which could enable the party to win an election with not much more than 35 per cent of the total. And since it seems unlikely that there will be a pro-Government swing in Darlington, some Tory voters may be looking for somewhere else to go. It is possible that some of them may vote for the Alliance in order to keep Labour out.

To take a minor point first: if such a result were to occur, what would it do to Mr Michael Foot, the Labour Party leader? It is sometimes said that Mr Foot will have to resign if

Darlington is lost. But politics is rarely as simple as that. It is much more probable that Darlington will open up a whole new range of possibilities, as yet generally unthought of.

My own impression, in any case, is that he is very much disposed to stay. He is also in rather good form. You may disagree with what he says, but he is saying it with remarkable lucidity and courtesy, as his performance on ITV last week demonstrated.

The Labour Party machine has got itself into a tangle over the publication of its general election platform, which at present it proposes to release on the day of the Darlington by-election, thus losing all publicity value. But if Mr Foot is as efficient as on some occasions, no doubt that can be sorted out.

The more important point, however, is about the development of a three-party system, which is now clearly what we have. The stock example is that of Labour winning a general election with (say) around 35 per cent of the national vote because there is still a large number of seats which it is unlikely to lose almost whatever happens. Many of them are in Scotland and the north of England. That would be the result of a distortion on top of the distortion of disproportional representation imposed by Labour winning an overall majority in the House of Commons with such a limited share of the vote.

Other distortions are possible. For instance, there might be a swing of 10 per cent (say 20 per cent) at the general election, but the Tories could still get home because the opposition was equally split between Labour and the Alliance.

Again, if the opinion polls suggested that the Alliance had a chance of victory, there might be a landslide as people rushed to back a winner and to protest against the established parties. There could be a new Parliament where the Alliance had 500 seats.

Don't laugh. That distortion is almost as possible as the others. It would be not only Bermondsey writ large at a general election. It would be an extension of a trend that has been going on since the 1970s. That is the decline in the agree-

gate vote of the two main parties.

In the general election of 1951 the Tory and Labour Parties between them won 96.5 per cent of the vote. By the two general elections of 1974 their joint share had fallen to 75 per cent.

It is true that in 1979 it increased to 80.8 per cent, but that was largely because of a swing to the Tories which, so far, can be only regarded as exceptional. The pattern is one of growing support for a third party, usually the Liberals, though in Scotland and Wales it was sometimes the nationalists. The Liberals are now supplemented by the SDP. At the same time, there is no reason to believe that disaffection from the two major parties is not continuing.

The evidence that some sort of fundamental change is taking place becomes even more convincing if you take into account the decline of people who don't vote in by-elections, but who

might vote in general elections. The turn-out in Bermondsey was quite high, probably because a lot of the electorate suddenly realised that their votes might make a difference.

Yet the principal characteristic of most recent by-elections has been the number of people who have chosen to stay at home. We simply do not know where their votes will go in a general election, whatever the national opinion polls may tell us today.

This uncertainty or volatility (call it what you will) has been noticed in Westminster to the point where there is widespread talk of a hung Parliament. Mr Foot, for example, has begun to think about the possibility of a Lib-Lab coalition.

That thought is interesting in itself, though it may be a reversion to the past. After all, there was a kind of *de facto* Lib-Lab coalition during the 1960s, and if you go back to before the war the two

parties worked together many times.

It also puts a new gloss on the argument about who should be leader or Prime Minister designate, of the Alliance, Mr Roy Jenkins of the SDP or Mr David Steel of the Liberals. Mr Foot thinks that it would be impossible for Labour to work with Social Democrats because they are, in his eyes, a lot of renegades. But he could work with Mr Steel, as he has done before.

Besides, the distribution of seats to be fought by the Liberals and the SDP looks as if it is weighted in favour of the Liberals. And the Liberals campaign so much better than the SDP. All those are reasons for Mr Steel not quickly to award the leadership of the Alliance to Mr Jenkins.

Still, the chances of a hung Parliament are no more or less likely than any of the other possibilities outlined above: a Labour or Tory victory on a minority vote, and so on.

Two points come to mind. One is that the process of political realignment in Britain is not yet complete. The other is that there begins to be a very strong case for some form of proportional representation. The question is which comes first.

It is an extraordinary situation when you have politicians from all the main parties whose views on most issues are broadly the same and who, certainly in the case of the Tory and Labour Parties, have more in common with each other than with many of their own backbenchers.

Mr Denis Healey, Mr James Prior, Dr David Owen and Mr Steel are only among the most prominent examples. All of them could fit more harmoniously into the same Cabinet than either Mrs Thatcher's present team or its Labour predecessors.

Yet at the same time the electoral system could produce an extreme result, in favour of one party or another.

We shall know more about how one form of proportional representation works when we hear the West German election results on Sunday evening. The German system is not ideal, possibly in my view even malign.

One of its principal features is that any party which wins 5 per cent of the vote automatically enters Parliament, in

the federal election of 1969 it was sometimes said that the difference between a good and a bad Germany was a tiny fraction of a percentage point because it depended on whether the National Democratic Party entered the Bundestag. In the event, it won only 4.3 per cent and declined thereafter.

A not wholly dissimilar phenomenon is going on now with the Greens, whose attainment of 5 per cent of the vote would be much disliked certainly by the present American Administration, and by many others besides. It would be seen as introducing a new instability.

Under the same system, however, the achievement of 5 per cent or more of the votes by the Liberal Free Democrats has been taken as a stabilising factor. As a coalition partner, the FDP has had a controlling influence on practically every West German Government. The only major exception was the Grand Coalition of the two

Some variant on the single transferable vote

major parties in the late 1960s, one of whose objectives was to introduce a British electoral system of first past the post. It didn't come off and the Liberals resumed their former influence in coalition with the Social rather than the Christian Democrats.

I think that the German system, however arithmetically fair, is politically disproportionate, though it might be different if you raised the 5 per cent hurdle for entry to Parliament to 10 per cent.

By the same token, I think that Britain too should be reaching for electoral reform. It is most unlikely to happen in the present Parliament or to appear in the manifesto of the two major parties. But it ought to come back on to the political agenda.

The most appropriate system would be some variant on the single transferable vote whereby the voter could record a second preference, rather than using the first and only vote either on the basis of past loyalty or on what the opinion polls predict. At present we have a lottery, and policies go by the board.

Lombard

Why Healey is not a Hawke

By Margaret van Hattem

AS AUSTRALIA goes to the polls this weekend, Labour MPs at Westminster will be looking on with mixed feelings. Naturally they would all like Bob Hawke to sweep the Australian Labor Party back to power after seven years in the wilderness, as all the polls say he will do. But just as victory in Bermondsey has unsettled the SDP/Liberal Alliance, so the spectacle of a Labor victory in Australia could have a most unsettling effect on the comrades at Westminster who have not entirely given up hope over Britain's next general election.

The parallels are too striking at first glance to be ignored: in the run-up to a general election, a highly intelligent Labor Party leader with all the Christian virtues save charisma, makes himself the willing victim of a bloodless coup which ensconces in his place a macho toughie whose reputation for demolishing Alcohol and women is exceeded only by his reputation for demolishing those who stand in his way... who sweeps the country.

Except, of course, that Michael Foot is a much more political animal than Bill Hawke, the deposed Australian Labor leader. Except that the Australian Labor Party is a much smaller, more homogeneous body than its British counterpart with far less Left/Right tension—most of the power resides with the professional politicians and the grass roots have scarcely a look-in and there is nothing remotely equivalent to the annual British party conference. Except, above all, that Britain does not have a Bob Hawke.

Denis Healey is in almost no respects a parallel. He has been known to use the odd four-letter word—judiciously, sparingly, for maximum effect. Bob Hawke makes Denis Healey sound like Professor Henry Higgins.

Denis Healey walks with kings: some of the most powerful people in the world drop their names and when he drops theirs, he leaves the impression that he is dispensing largesse. But on the shop floor he is still Mr 5 per cent and always will

be. Until three weeks ago, Bob Hawke was hardly known outside Australia and there he is often criticised for having sold out and moved to the right. But at the end of the day he is still, to hundreds and thousands of union members, the trade union lawyer who fought for them and got them a better wage settlement than they dared hope for.

Denis Healey is a senior member of the Callaghan Government. He brought in the IMF and accepted their terms. The odour of compromise hangs heavy upon him. Bob Hawke has been in Parliament barely three years and has never had to accept ultimate responsibility for anything. Forget about those all-too-public sins of the flesh (which in any case seem to have boosted his popularity, after the manner of Palmerston). Politically, Bob Hawke is Mr Clean.

For many years, and more particularly since he entered Parliament, there has been an inevitability about Bob Hawke's rise to the leadership and a finality about his achieving it. That cannot be said of Denis Healey: for all that in the present shadow cabinet he looks like a colossus. A large and not unimportant section of the Labour Party has spent the past few years fighting all out specifically to prevent the possibility of the sort of palace coup that installed Bob Hawke in Australia and would install Denis Healey here. If their electoral college and their complicated procedures prove inadequate to the task, they will take it very hard indeed.

Denis Healey may yet become Labour leader and take the party to victory at the next general election. But any Labour MPs and trade union leaders working towards this end should not look too closely to Australia for encouragement.

They might, however, find comfort in two other thoughts: if Australia's Thatcherite Prime Minister Mr Malcolm Fraser is toppled, it will send chills up Tory spines. And if, despite his total lack of ministerial experience, Bob Hawke turns out to be a good Prime Minister, members of the Liberal/SDP Alliance pondering their own leadership dilemma might draw interesting conclusions.

Letters to the Editor

The SDP-Liberal Alliance Budget proposals

From Mr J. Horan, MP

Sir—Your leader of March 1 accuses the SDP/Liberal Alliance of sharp practice in seriously understating the cost of its Budget proposals. In particular you claim that our proposal to cut VAT to 12½ per cent from October 1 is deliberate sleight of hand to cut down the resulting public sector borrowing requirement increase in 1983/84 and hide the much larger increases to which such measures would lead in a full year.

In fact our tax cuts were timed for the autumn because of the need to knock on the

head the dangerous acceleration in the inflationary spiral which is likely to be taking place at that time. It is not true that our cost calculations are "wishful"; they are in line with Treasury figures. And it is also not true that our programme would lead to a large increase in the PSBR in 1984/85. The Treasury computer has calculated that our proposals would add an extra £2bn to the PSBR in the second year, but this must be added to the lower base for that year which present spending plans imply. The £11bn PSBR we have proposed for this coming year need not be exceeded in the following

year if our strategy is followed.

I am glad to see that you endorse our underlying strategy—to concentrate on measures having the greatest impact on employment, costs and prices—and if you re-examine the figures with a little more care before dismissing a carefully-considered exercise so precipitately, you will see that it is in fact well based, and that it is indeed possible to make a real impact on unemployment without abandoning responsible finance.

J. R. Horan, SDP, 4, Cowley Street, SW1.

Technical confusion on cable TV

From the Managing Director Cabletime (Systems)

Sir—With regard to Mr Goodall's letter (February 22) referring to John Chittock's recent feature on cable TV, I feel it is important to correct certain points.

He states that in a star switched system the cost of switching centres each serving several homes is huge and that this more than compensates for the high cost of home equipment in the tree and branch alternative. Research shows that the overall equipment cost is in fact slightly lower in a star switched system, but the major benefit is the substantial reduction in maintenance costs, primarily as a result of obviating home access for repair work. Additionally, star switched offers superior facilities to tree and branch, as that one cannot compare like with like.

In a star switched system, only the trunk cabling would need to be expanded if more channels were offered than could be served by existing trunk lines. The switching nodes would simply continue to present the required sub set of those channels on offer to the user via the existing local distribution cable. Most operators will take the opportunity of initial installation to lay two trunk lines side by side to ensure adequate capacity for the future—and this approach would prove expensive with tree and branch.

John Chittock's article raised some important issues about the widespread technical confusion on cable TV with which I certainly agree, but I would take issue with his statement that all cable TV systems available in the UK are tree and branch. All systems apart

from the few already in the experimental stage and are therefore not actually available, and our own is in fact star switched. So Rediffusion is not alone in the star switch field. David Morgan, Cabletime (Systems), Kenley House, Kenley Lane, Kenley, Surrey.

The interbank market

From Mr A. Sheen

Sir—The interbank market's importance as a mechanism for the transfer of short-term funds has been clearly demonstrated in recent months. Nevertheless, the increasing use of interbank lines by some debtor countries has heightened the market's vulnerability, at a time when the strains imposed by the international debt crisis are beginning to have a significant impact. The treatment of interbank lines during recent re-scheduling exercises further accentuated the market's susceptibility to changes in the level of activity.

Alan Friedman (March 1) suggests the market continues to function reasonably smoothly, according to figures issued by the Bank for International Settlements (BIS) in January. Unfortunately, the figures released at this time cover international banking developments in the third quarter of 1982 and provide little of value in determining the current situation. The BIS is, it seems, aware that the contribution of these statistics is considerably reduced by the delay in their publication, and the third quarter 1982 figures were issued a month earlier than the figures for the same period in 1981. The revival in interbank business evident in the figures is attributed, by the BIS, to seasonal factors.

The problems now being experienced in some sectors of the interbank market imply the market is no longer smoothly fulfilling its transfer function, a view apparently endorsed by central bank anxiety to ensure a continued commitment to the market among participating countries. The market, whatever the subsequent assessment of its apparent size, now shows signs of a move to "perceived" quality capable of modifying considerably its dimensions and scope.

A. J. Sheen, 10, Old Jewry, EC2.

The price of energy

From Mr L. Cockcroft

Sir—Reductions in inflation, costs and wages increases are rightly prime Governmental targets. This contrasts strangely with decisions as to gas costs. Here terms prices have more than doubled since May 1979. Standing charges are multiplied by a factor of 10 or more. Monopoly impositions at such levels are impossible to reconcile with fights against inflation. While there has been a stated need to attain "comparability" with other energy costs and to conserve supplies, there is now on the other hand endless reference to surpluses in oil, coal, electric supply and the like.

When will all responsible decide that enough is enough? Will consumers—domestic and industrial—again be compelled to meet further price increases almost quarter by quarter in the way which has now operated these past years? And when will the alleged price benefits of natural gas supplies be made available, at least in part, to users? Lionel F. Cockcroft, Oakhill, Todmorden, Lancs.

Mortgage interest tax relief

From Mr M. Sellers

Sir—It seems to me that as far as you are concerned tax relief on mortgage interest is a somewhat emotive issue. This could account for the inaccuracy of some of your arguments (February 16), coupled with unconvincing statements that all senior economists agree that to continue or increase tax relief on mortgage interest is undesirable. I would have thought that if all senior economists agree on an issue, then they are most likely to be mistaken.

Furthermore, you complain that it is unfair that one section of the community should have its housing "subsidised" whereas others do not. It is to encourage people to provide for themselves, and not look to the state or others to provide for them. The government has encouraged people to buy their own property.

It might indeed be unfair if

FURTHER LETTERS Page 14

people renting accommodation either in the private sector or the public were bound to stay in this category for life but this is not the case. People may rent for some years and then, with or without government encouragement, buy a house of their own. It seems to me wrong to say there is no element of subsidy applied to rented accommodation. Have you not heard of controlled rents or rent relief?

You further go on to suggest that the United States government should amend its tax policy to come in line with your views. (Is this perhaps a little ambitious?) Perhaps they may, but you should also be in contact with the West German, Netherlands and French governments, whose position on tax relief on interest paid is nearer the American model. You also claim that it is wrong for Howe to cynically buy votes. The fact is he already bought the votes before the last election by indicating that taxation in general would be reduced and that more would be available to house-owners. Admittedly in today's world it sets a new low for political behaviour for a Party not only to gain votes by promises, but to hold on to them by redeeming them in some small way.

M. J. Sellers, Little Tumblers, Stoke Heath Road, Oxshott, Surrey.

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SECTION II - INTERNATIONAL COMPANIES

FINANCIAL TIMES

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U.S. court rejects airline proposal

By Our Financial Staff

A NEW ORLEANS Federal appeals court has rejected Pacific Southwest Air's (PSA) attempt to take over some domestic routes from Braniff International, the Texas-based airline which filed for bankruptcy in May.

The ruling is almost certain to kill an agreement between Braniff and PSA, a California-based regional airline, under which PSA will set up a new division to operate the routes. Without an agreement, Braniff is likely to be forced into liquidation proceedings, which could bring sharply increased losses for secured and unsecured creditors.

Under the venture, PSA would have leased 30 Boeing 737-200 jets from Braniff, could have hired up to 2,000 former Braniff employees and used former Braniff landing rights.

But the court said the proposal was tantamount to a reorganization plan, and would have to move through established bankruptcy reorganization procedures.

The court said that if the pact was approved, "little would remain for further reorganization." Both airlines had contended the transaction did not amount to a formal reorganization.

PSA has said repeatedly that the deal would be called off if the new division, operating out of Dallas-Fort Worth airport, could not start operations in time for the peak summer season. The airline says any appeal would make such a start impossible, and none is planned.

Mr Howard D Putnam, Braniff's president, said the U.S. airline had not yet decided what action, if any, it planned.

Tentative agreement on the takeover was announced in December, and was approved by a Fort Worth Federal bankruptcy court judge in January. This decision was upheld by a U.S. district court judge on February 18, but an appeal was launched by the Federal Aviation Administration and Continental Airlines, a subsidiary of Texas Air.

The FAA said that only it has the authority to grant landing slots or times, and that it had already given about 100 of Braniff's 400 slots to Continental.

The Federal bankruptcy court judgement had said the takeover promised Braniff's creditors "at least 25 per cent more" than liquidation would, which would have obliged secured creditors to unload the aircraft onto a flooded market.

Record sales for Lindt

By John Wicks in Zurich

WORLD TURNOVER of Chocofabrik Lindt and Sprüngli, the Swiss chocolate maker, rose by 8.3 per cent last year to a record SwFr 565m (\$388.2m). The improvement follows a 4 per cent decline in sales in 1981, which was solely because of the marked strengthening of the Swiss franc.

In terms of local currencies, 1982 sales were up by 8.1 per cent, following an increase of 7.6 per cent in the previous year.

The board is to recommend an unchanged dividend of SwFr 100 per share and registered share from net earnings up from SwFr 3.82m to SwFr 4.13m.

Group sales of Swiss-owned Hero Conserve, fell by 7 per cent last year to SwFr 431.3m (\$298.9m) because of the exclusion of Conserve Leuzbourg, the French company, from consolidated figures and to a redefinition of net turnover. Without the changes, the group would have shown a 6.4 per cent rise in sales.

James Buxton in Milan outlines the prospects facing a troubled Italian publisher's new board of directors

Rizzoli group turns the page on the Calvi era

SHAREHOLDERS of the Rizzoli publishing group yesterday elected a new court-approved board for their troubled company. This means the formal replacement of Sig Angelo Rizzoli, former chairman and Sig Bruno Tassan Din, former managing director, who were arrested nearly two weeks ago on charges of fraudulent bankruptcy.

The chairman, to be elected in the next few days, is expected to be Sig Carlo Scognamiglio, a 38-year-old Milan University lecturer and finance expert.

The arrests were the latest twist in a saga which has seen the newspaper fall for a time under the control of an occult masonic lodge, and one of Italy's best known publishing houses swamped by debt to the extent that it is now in judicially controlled administration. The story is a classic example of how in Italy, business, especially newspaper publishing, and politics merge in a mysterious and often destructive twilight world.

It is a far cry from the excitement in 1974 when the Rizzoli group, at the strong in magazines, books, films and paper, bought Corriere della Sera, the century-old voice of

the industrial and professional classes of northern Italy.

With it they also acquired debts which were to swell. It is said that the family-run Rizzoli group did not have the managerial strength to run its greatly enlarged business. More crucially, it did not have the financial resources to cover its debts and fund its enlarged turnover of L150bn (\$108.7m) at the time. The Rizzoli family was not prepared to put in new capital.

Instead, Angelo Rizzoli and Sig Tassan Din, his then treasurer, attempted to borrow money from the banks. But at first, they ran into obstacles because of what was considered the pro-communist stance of the Corriere della Sera at the time. But they received a warmer welcome from Sig Roberto Calvi, chairman of Banco Ambrosiano, who made large loans to the company, and in 1977 financed a L20bn capital increase on condition that 80 per cent of the Rizzoli's shares were lodged with the bank.

A key intermediary in the deal was Sig Umberto Ortolani, treasurer of the P2 masonic lodge, a secret group with members in high places aiming to further its mysterious po-

litical and financial ends. Sig Tassan Din, Sig Angelo Rizzoli and Sig Calvi were enrolled as members of P2, and a more conservative editor - also a member of the lodge - was appointed.

The group's strategy was now to expand out of the trouble. It moved heavily into the burgeoning private television station business, bought daily newspapers all over Italy, and created others. It relaunched magazines and gave the impression of being thoroughly dynamic. By 1981, its sales had reached L680bn.

But its debts, mostly short-term obligations to banks, mainly the Banco Ambrosiano group, had risen to at least L250bn by 1980, and financial losses were eating away at operating profits. A major injection of capital was needed, so an elaborate scheme was arranged which would have meant in effect the transfer of control of the group to the P2 lodge, partly through La Centrale, the financial holding company owned by Banco Ambrosiano.

The plan failed, because of the exposure in spring 1981 of the P2 lodge in a scandal which drove Sig Ortolani and the grand master, Sig Licio Gelli, into exile. But Sig Calvi

went ahead anyway, buying 40 per cent of Rizzoli for La Centrale, while 10 per cent went to Sig Tassan Din, who also obtained the right of first refusal on Sig Angelo Rizzoli's 40 per cent stake.

Sig Calvi's move to become a major shareholder in a newspaper set off political jealousies which helped bring about his downfall. But the capital increase eventually went ahead, bringing in L153bn in new funds, too late however to stop the mounting losses. (The commission who recently investigated Rizzoli reckons it lost about L200bn in the past three years). The Bank of Italy ruled that a bank could not own a newspaper and withdrew La Centrale's voting right on its shares.

The Corriere della Sera, now the most prestigious and profitable part of the Rizzoli empire, has theoretically been on the market since Autumn 1981, according to Sig Angelo Rizzoli. But early initiatives to buy the newspaper, one on behalf of some apparently apolitical businessmen and another by a tycoon backed by the Socialist party, ran foul both of political opposition and of Sig Tassan Din, who was in no

hurry to sell, and who holds the key to ownership of the group.

Last summer, the Banco Ambrosiano group went bankrupt after Sig Calvi's body was found hanging under Blackfriars Bridge in London. Ownership of La Centrale, its stake in Rizzoli and responsibility for many of the outstanding loans to the company passed into the hands of a consortium of seven banks, of which the best known are Banca Nazionale del Lavoro, and Istituto San Paolo di Torino. They soon started to put pressure on Rizzoli to pay off expiring debts.

Last October, Rizzoli made a counter-move. It secured what it hoped was a year's breathing space by having the company put into controlled administration. But La Centrale obtained the mandate to sell Corriere della Sera, and began discreet talks with possible purchasers. Sig Tassan Din put forward an alternative plan to save the company. It entailed reorganisation cutting out dead wood.

But the commissioner, while approving much of the plans said it was not a credible proposition under the present managing director and La Centrale also insisted on Sig

Tassan Din's departure before it would consider it.

Sig Tassan Din finally said that he would resign formally on Friday, February 18. But at dawn on Friday, the Guardia di Finanza, Italy's fiscal police, arrested him and the Rizzoli brothers. The commissioner, while investigating Rizzoli's accounts, had found missing some L28.6bn over the 1976-79 period (while Sig Alberto Rizzoli was managing director). Some of the money has been explained, but mystery still surrounds the rest. Sig Tassan Din and the Rizzolis were charged with fraud and concealment of debt.

So what happens now? The immediate future depends on the consortium of banks. The sale of parts of the Rizzoli group seems inevitable, and that is bound to include Corriere della Sera. But with so much political influence perceived to be at stake with a newspaper whose circulation at 400,000 copies a day is the largest in Italy, who will the politicians allow to buy it? Will the Corrieres get the freedom from scandal and obscure financial deals for which it plausibly pleads in its editorials?

Philips to increase holding in Valtec

By Welter Ellis in Amsterdam

U.S. PHILIPS Corporation, a subsidiary of United States Philips Trust, of which Philips NV shareholders are sole beneficiaries, is about to increase from 50 per cent to 100 per cent its holding in Valtec, of Massachusetts, a major producer of fibre optics.

Valtec makes glass fibre and fibre cable used in telecommunications, data control and weapons systems.

U.S. Philips is buying the remaining 50 per cent holding by agreement from N/A-Com, of Burlington, Massachusetts, for an undisclosed sum. Philips NV point out, however, that the deal is a small one, not to be compared with other recent U.S. purchases.

In the Netherlands, Philips already manufactures fibre optics through its NKE subsidiary in Delft. The addition of Valtec reflects the growing importance attached by Philips to the optic fibre field.

F. Van Lanschot, the Dutch wholesale and semi-retail bank, yesterday announced earnings of Fl 9.8m (\$3.6m) for 1982 - 18.3 per cent up on 1981.

The sharp rise was despite an 18 per cent increase in the provisions for debt, to Fl 17m.

The balance sheet total of the bank, which is part-owned by Rabobank and National Westminster of the UK, rose by 4.2 per cent, from Fl 4.7bn to Fl 4.9bn. Lanschot blames its "limited growth" on the recession affecting Dutch industry and international economic stagnation.

Nevertheless, as one of the oldest banks in the country, with only 15 branches, it has made profits two years running at a time when its larger, commercial rivals are still struggling with a rising tide of debt.

Hong Kong and U.S. banks launch venture

By David Dodwell in London

THE HONGKONG and Shanghai Banking Corporation and its 51 per cent owned subsidiary Marine Midland yesterday launched a new joint venture, International Treasury Management, intended to offer treasury management services to corporations, financial institutions and government agencies around the world.

The associate will offer training and consultancy in such linked areas as foreign exchange exposure problems, foreign exchange trading, long-term currency swaps and interest rate swaps.

The partnership is among the first mounted by the two banks since Hongkong and Shanghai Banking took control of the U.S. bank almost three years ago.

It offers a signpost to the way Hongkong and Shanghai banking plans to develop a complementary relationship with Marine Midland as part of the enlarged group. Since acquiring the U.S. bank for about \$140m in March 1980, the Hongkong bank has given few hints of the way it plans to integrate operations.

In November last year, the U.S. Federal Reserve Board approved an application from Marine Midland and Hongkong and Shanghai Banking to offer investment advisory services through a newly established subsidiary Wardley Marine International Investment Management. Wardley is the Hong Kong bank's merchant banking arm.

The venture will combine Marine Midland's sophistication in this area - it has had an international

treasury management unit for 10 years, and is one of the U.S.'s top five banks in the area - with Hongkong and Shanghai's extensive banking network, particularly through Asia and the Middle East.

With units in London, New York, Hong Kong and Singapore, the new partnership will inherit from Marine Midland about 270 existing clients and earnings understood to amount to about \$5m.

This client base is strongest in Scandinavia, Switzerland and the Middle East. This is expected to expand rapidly over the coming two years. The "most fruitful areas" for growth in Europe are predicted to be Germany, Greece, the Benelux countries and the UK.

Mr Gordon Tillett, International Treasury Management's regional manager based in London, said yesterday: "Given the dependence of the UK economy on both exports and imports, it is remarkable how the treasury function within UK companies is so underdeveloped."

Mr Paul Cartwright, ITM's chief economist, yesterday forecast a period of "great risk" for sterling over the coming six months. In the coming month, "intense speculative pressure" may push sterling below the \$1.50 level, and below 75 on a trade weighted basis.

For the dollar, he predicts a weakening over the coming three months because of falling U.S. interest rates and a deteriorating current account. He then forecasts a rebound, however, as interest rates rise in line with fresh Treasury borrowing.

Georg Fischer in joint machine tools deal

By John Wicks in Zurich

CHARMILLES TECHNOLOGIE has been set up in Geneva as a joint venture of the Schaffhausen-based Georg Fischer group and Ateliers des Charmilles of Geneva.

The company, which will employ about 600 people in Switzerland and, with foreign sales subsidiaries, will take over Charmilles' operations in the field of electrical discharge machine tools.

Backed by an initial share capital of SwFr 30m (\$14.6m), the new com-

pany will be 50 per cent owned by Georg Fischer and 49 per cent owned by Ateliers des Charmilles. In a joint communique, both partners say the operation's base will remain in Geneva.

The acquisition of a majority stake in Charmilles' micro-processor controlled electrical discharge equipment, which already has an important place in the world market, is seen by Georg Fischer as strengthening its existing sales programme.

Ontario to control Hawker plant

By Nicholas Hirst in Toronto

THE ONTARIO provincial government is paying C\$82m (\$75m) to take control of Hawker Siddeley Canada's Thunder Bay plant, in northern Ontario, which manufactures railways and subway carriages.

The plant recently tendered to provide cars for a subway system in Houston, Texas but lost to a Japanese contractor.

The deal is being portrayed as a joint venture. Hawker Siddeley Canada, which is 58.1 per cent owned by the Hawker Siddeley group of the UK, will put up C\$2.5m for 20 per cent of a new company which will purchase the plant. Ontario will hold the rest of the company, which in turn will hold all shares in Venturians Manufacturing, owned by an Ontario government Crown Corporation. Venturians designed rapid transport systems for Vancouver, Detroit and Seattle.

Hawker Siddeley Canada's Thunder Bay operation is a relatively small part of the Canadian company which in 1981 had sales of C\$839m. It built the subway cars for Toronto's underground system and double decker railway carriages for the Toronto area commuter service. But recently it has been short of work. The workforce has been reduced from 1,000 to only 550.

Mr John Snow, Ontario's transportation minister, said he was concerned. But without the takeover, Hawker Siddeley's Thunder Bay plant might not be able to continue.

Coca-Cola lifts payout

COCA-COLA, the world's biggest soft drinks-maker, is to increase its dividend for the final quarter of 1982 to 67 cents from 62 cents a share. The dividend is payable on April 1 to shareholders of record on March 15, writes our Financial Staff.

In a separate move, Mr Francis Vincent was elected a senior vice-president of the group, and appointed chairman of Coca-Cola's Columbia Pictures Industries subsidiary.

Babcock lifts Arab provisions

By John Davies in Frankfurt

DEUTSCHE BABCOCK, the West German power station and mechanical engineering group, has set aside a further DM 400m as provision against losses on contracts in Arab countries.

This brings to nearly DM 1bn the total provisions made over the last few years to cover losses on these projects, mainly in Kuwait and Libya.

The company - one-quarter owned by Iran - has already announced that it will report a loss for the financial year ended last September and will not pay a dividend.

The growing costs of the project

loss, to be published later this month, is expected to be more than DM 380m.

Deutsche Babcock said yesterday that it was setting aside the additional provisions to "make a fresh start" and was satisfied that no further risks were involved in these projects, which were nearing completion.

The Kuwait power station order was taken on at a difficult time several years ago to make use of the company's works capacity and was won against sharp competition.

The growing costs of the project

sharply depressed Deutsche Babcock's results in 1979-80, although profits recovered the following year.

The company said that the decision to make a further "once and for all" provision against losses was made easier by generally favourable conditions at the moment.

Sales revenue and new orders were running at a high level last year and the order inflow in the first four months of this financial year were up a further 8 per cent. The company was confident it would report a profit for this year because of the encouraging signs.

Iraq to tap market for pipeline project

By Peter Montagnon in London

IRAQ is raising a \$120m credit in the Euromarkets to help finance an expansion in the capacity of its crude oil pipeline to the Turkish port of Ceyhan on the Mediterranean.

The operation follows closely on the \$500m credit launched last autumn for Rafidain Bank, the country's leading bank. This was Iraq's first Eurocredit since 1978, and is now expected to be signed on or around March 18.

The borrower in the new transaction is the Iraq National Oil Company, but as for the Rafidain deal, this loan will be guaranteed by the central bank. It is led by Arab Banking Corporation and provides for a margin over Eurodollar rates of 1 per cent for the first two years declining to ¾ per cent for the next three. This is a lower overall margin

than that paid by the central bank whose credit bears interest at 1 per cent throughout its five-year life. The decline in the margin on the oil deal coincides with the projected increase in pipeline throughput from 700,000 barrels per day to 1m barrels per day.

Arab Banking Corporation said yesterday that the loan will be assembled on a confidential club basis and it will not be disclosing the names of other participants without their consent.

Lending to Iraq remains a controversial issue in the Euromarkets because of the war with Iran and the scarcity of data on the country's foreign exchange reserves. Nonetheless, the \$500m loan has achieved a better-than-expected result in syndication.

Portugal seeks terms on \$400m credit

By Our Euromarkets Correspondent

PORTUGAL has asked its international bankers to submit terms on a \$400m to \$500m Eurocredit intended to satisfy part of the country's \$3bn foreign borrowing requirement for this year.

The invitation came as a surprise yesterday to some bankers who had expected Portugal to wait until after its general elections on April 25 before launching a large credit in the Euromarkets.

It is understood that Portugal is seeking a loan of around seven years with a margin of about ¼ per cent over Eurocurrency rates or 0.30 per cent over U.S. prime. This would be the first time that Portugal has raised money over the expensive U.S. prime rate.

Portuguese entities have recently encountered resistance to their efforts to raise money

The state-owned savings bank Caixa Geral dos Depositos was forced to abandon attempts to complete a \$150m revolving underwriting facility last month because of

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poor response to the deal which was led by Merrill Lynch.

Reaction to the country's new loan request is thus likely to be closely watched in the Euromarkets. Portugal has applied to the International Monetary Fund for a \$140m loan from its Compensatory Financing Facility, and might seek "other arrangements" as well. Mr Walter Marques, a top Finance Ministry official, said in London last month.



INTERNATIONAL COMPANIES and FINANCE

Michael Holman looks at the negotiations over the Valco smelter

Foreign investment test for Ghana

NEGOTIATIONS over the future of Africa's largest aluminium smelter, the Volta Aluminium Company (Valco) plant in Ghana, have reached a critical stage. The attitude of Flight Lieutenant Jerry Rawlings' Government in the talks is seen as a key test of the left-wing regime's position on foreign investments in the country.

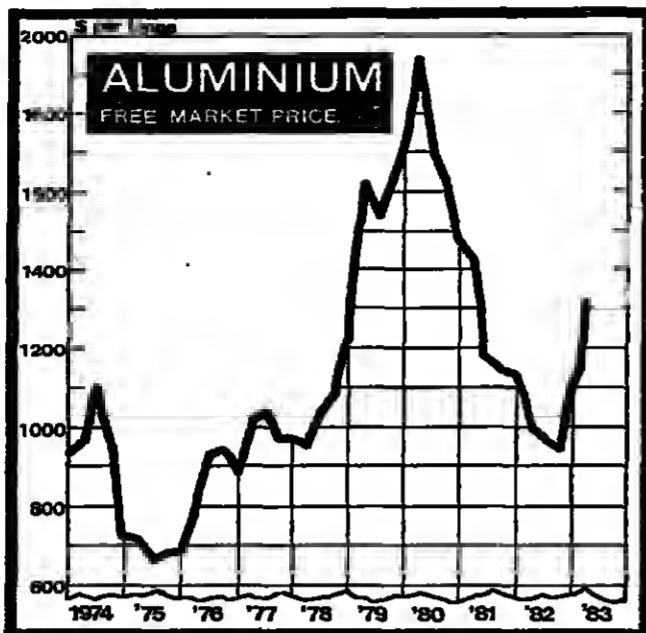
Valco says that it will soon reply to the Ghanaian Government's "substantive proposals" for a renegotiation of the 21-year-old operating contract for the smelter, at Tema on the coast some 50 km east of Accra, the capital.

The Valco smelter is one of the largest foreign investments in Ghana, with an annual capacity of some 200,000 tonnes of aluminium and a workforce of 2,500. The company is 80 per cent owned by Kaiser Aluminium and Chemical Corporation of the U.S., with Reynolds Metals, also of the U.S., holding the remaining 10 per cent.

Valco imports its raw material, alumina (an intermediate product in the process of refining produced in powder form from the ore, bauxite, by a fairly simple and relatively inexpensive process) from Jamaica and Louisiana in the U.S.

The refining process with its very high energy costs is carried out at the Tema plant and the aluminium produced then re-exported for sale by Kaiser and Reynolds.

At the end of last year the Rawlings Government announced that it wanted to renegotiate the 1962 agreement. Essentially, it wishes to increase the price paid by Valco for its



rates for water as well as electricity to deprive Ghana of an adequate rate of return on her investments in the Volta River project.

"The concessions," it says, "were granted at a time when for Valco and its shareholders their operations in Ghana may have looked like a risky venture but the evidence over the years has demonstrated that Valco has been extremely profitable."

Under the existing agreement, Valco pays tax at 40 per cent, compared to 50-55 per cent for other manufacturers in Ghana, and is exempted from other taxes or duties. Although the rate for electricity was revised three times in the Seventies, Valco pays a little under 6 mills per KWH compared to 25.9 mills at Kaiser smelters in the U.S. Togo and Benin pay 28 mills for power supplied by the VRA from the same dam.

Valco is clearly not well placed to absorb increases in costs. Three of its five aluminium producing potlines are at present closed because the low level of water in the Volta dam has limited electricity production.

Energy costs remain critical for an operation in which the Atlantic Ocean is crossed twice (once by the alumina and then again by the aluminium on its way back to Kaiser and Reynolds). The Rawlings Government therefore has to decide whether it will go on supplying power and water cheaply enough to keep the U.S. aluminium majors interested in running the plant in Ghana at a time when they have been forced to make drastic cuts elsewhere.

difficult time. While there are signs of recovery, the aluminium industry has been deeply depressed, with smelters in Japan and the U.S. either closing or operating well below capacity. Valco itself is only using some 40 per cent of its 200,000-tonne capacity.

Kaiser Aluminium, the third largest U.S. producer, severely affected by the recession, is operating at only 19 per cent of its U.S. capacity, and reported a loss in 1982 of \$123.4m, or \$2.68 a share.

However, the Government argue that the concessionary

electricity and to press the company into developing an integrated aluminium industry using the so far largely unexploited local reserves of bauxite.

On the energy front the Government claims that the concessionary electricity rates paid by Valco are uneconomic and are undermining the viability of the hydro-electric plant on the Volta river at Akosombo, which is run by the state-owned Volta River Authority (VRA). Valco consumes about 65 per cent of the dam's electricity output.

The Ghanaian Government is putting its case to Valco at a

Japan eases foreign bank exchange regulations

THE Japanese Finance Ministry has told foreign banks that it will increase their overnight exchange position limits and yen/dollar swap lines, Reuter reports from Tokyo.

The Ministry asked the banks at a meeting to submit applications for the increases, which will be studied by Ministry officials before being granted.

The overnight oversold or overbought position limit applies to both spot and forward positions, although the bulk is usually in the spot position. The Ministry indicated the overnight position limits may be increased by up to 100 per cent, while the swap line increases will be a maximum 20 per cent.

Present overnight position limits range from an estimated U.S.\$500,000 to \$10m per bank, according to the bank's size and years of operation in Japan.

Total swap lines at present for all foreign banks in Japan are estimated at \$5.50bn.

The measures are apparently intended to show the U.S. and West European countries that the Finance Ministry is liberalising the Japanese market as much as possible.

Earnings at Howard Smith plunge 30%

BY MICHAEL THOMPSON-NOEL IN SYDNEY

HOWARD SMITH, the diversified Australian coal-to-sugar-to-shipping group, saw a 30 per cent fall in profits for the year to December 31, from A\$25m to A\$17.4m (U.S.\$16.7m), despite a 23 per cent improvement in turnover to A\$438m, and a boost in investment income from A\$8.8m to A\$12m.

Factors cited by the group yesterday included collapsed sugar values, high interest rates, drought and industrial unrest.

The final dividend is maintained at 17.5 cents a share, for a total of 22.5 cents (steady) on earnings-per-share of 24 cents (34 cents previously).

Interest payments soared from A\$2m to A\$6m and depreciation charges were sharply higher at A\$17m against A\$12m.

On the coal front, the group said Australian producers would have to reduce production rates, particularly from high-cost mines, to restore price competitiveness. "It is to be hoped that the Government and unions will respond to the dire position of the New South Wales coal industry," it said.

Nicholas Kiwi, Australia's diversified international shoe polish-to-aspro-to-medical equipment group, saw a 36.2 per cent improvement in interim profits to December 31, 1982, from A\$4.6m to A\$6m (U.S.\$8.8m) and has lifted the half-year payout from 5 cents to 6 cents per share, on earnings of 12.2 cents

a share (8.96 cents).

The previous corresponding period included only four months' earnings from the merged Nicholas and Kiwi operations.

The group said trading conditions were difficult in all its main markets.

Turnover in the six months was 18.6 per cent higher, at A\$151.3m.

Earnings at J. Gadsden, the Melbourne packaging group, soared by 76 per cent in the six months to January 2, 1983, from A\$4.6m to A\$8.16m (U.S.\$7.53m). The interim dividend has been halved from 8 cents to 9 cents a share. Per share earnings were 21 cents against 13 cents previously. The company is renowned for erratic profits growth.

Sales were 14.3 per cent higher at A\$210m.

Last year, Australia's Carlton and United Breweries (CUB) paid A\$23.72m for a 19.86 per cent stake in Gadsden. In spite of the stake, "they're still squeezing us into the ground on price, and we're still squirming," said Gadsden, which is a major supplier of metal cans to CUB.

Wardley Australia, the merchant bank, lifted profits by 32 per cent in the year to December 31, 1982, to A\$5m (U.S.\$4.53m). Deposits rose from A\$33m to A\$56m, and loans increased from A\$147m to A\$458m. Total loan commitments at year-end were A\$828m against A\$404m.

Income surges at Hang Seng Bank

By Robert Cottrell in Hong Kong

HANG SENG BANK, a quoted subsidiary of the Hongkong and Shanghai Banking Corporation, has announced 1982 profits 26 per cent higher, and special distributions to mark its 50th anniversary.

Net profits after tax, total HK\$713.7m (U.S.\$108m) against HK\$564m previously. A final dividend of HK\$1.47 per share makes HK\$2.06 for the year, against HK\$1.64 in 1981, adjusting for an intervening scrip issue.

Hang Seng is paying a special HK\$0.33 anniversary dividend, boosting the total 1982 distribution to HK\$2.39.

A "run" on the Banco Luso Internacional de Macau, which began on Wednesday, appeared to have subsided by close of business yesterday. Banco Luso, Macau's seventh largest bank in asset terms, is a subsidiary of Pamin Holdings, a publicly-quoted Hong Kong finance group.

Reports from Macau say that several hundred depositors queued on Wednesday to withdraw a total of HK\$30m.

Luso saw another rush of withdrawals yesterday morning, but the flow ebbed around midday as the bank continued to reassure customers that it had enough ready cash to meet all liabilities.

Nichii and Uny drop merger

By Yoko Shibata in Tokyo

NICHII and Uny, respectively Japan's fifth and sixth largest supermarket chains, have scrapped their plans to merge because they could not agree terms.

Uny, which has a stronger financial base but smaller sales than Nichii, insisted on taking up capital in a new company on the basis of one Uny share for 0.7 of a Nichii share.

Nichii, however, wanted an exchange ratio of one of its shares for 0.9 of a Uny share.

Profits recover at Siam Cement

By JONATHAN SHARP IN BANGKOK

SIAM Cement Company, Thailand's largest industrial concern, has reported net profits of 456m baht (\$19.8m) for 1982, representing a sharp recovery from 1981's depressed net profit of 95m baht. Sales in 1982 amounted to 11.47bn baht (\$493.6m).

Charas Xuto, company president, singled out savings in energy costs as the most important factor behind the recovery. He said Siam Cement had totally discarded the wet process in cement production,

which requires large energy consumption, and switched to the more modern and efficient dry process.

Siam Cement, which makes a wide range of construction materials besides cement, has also benefited from a steep decline in the price of imported energy last year.

Prospects for the present year are good, despite a continued slump in Thailand's construction industry because of the recession, the company said. Siam Cement was promised

a supply of the natural gas that came on stream from the Gulf of Thailand in September 1981. But gas production has so far failed to live up to expectations, and the prospect of the company being able to reduce its energy costs further by obtaining some of the gas are not good for the immediate future.

However, prices of imported energy are expected to continue their decline, as are interest rates, and these factors should keep the company in the black.

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Deutsche Bank Aktiengesellschaft

Salomon Brothers International

The issue price of the Notes is 100 per cent. The Notes have been admitted to the Official List by the Council of The Stock Exchange, subject only to the issue of the temporary Global Note.

Interest is payable annually in arrears on 15th March, the first payment being made on 15th March, 1984.

Full particulars of the Notes are available in the Exel Statistical Service and may be obtained during usual business hours up to and including 18th March, 1983 from the brokers to the issue:

Hoare Govett Ltd.,
Heron House,
319/325 High Holborn,
London WC1V 7PB

4th March, 1983

This announcement appears for purposes of record.

**1,000,000
Combined Common Shares**

sea containers group

The undersigned acted as Exclusive Sales Agent in connection with the sale of these securities.

Dillon, Read & Co. Inc.

February 28, 1983

6150 11/11/83

UK COMPANY NEWS

1982 FIGURES DOWN DESPITE RECOVERY IN FINAL QUARTER

Companies' assets fall by £1bn

BY DAVID DODWELL IN LONDON

THE ASSETS of UK companies fell more than £1bn in 1982, despite a significant recovery in the last three months of the year, according to figures published yesterday by the Department of Industry.

In the final quarter, companies engaged mainly in manufacturing increased total current assets by about £470m. As liabilities also rose by £30m, the Department of Industry reported a net improvement of £340m.

Non-manufacturing companies

saw assets fall by about £240m, with total current liabilities also falling by about £180m, leaving a reduction in net current assets for the final quarter of about £60m.

Despite this fourth-quarter improvement, company liquidity is still at its lowest level since the first quarter of 1981, the Department of Industry noted.

After a poor third quarter, the full-year figures show manufacturing company assets increasing by £180m while liabilities leapt by

£510m, leaving a reduction in net current assets of £430m.

Non-manufacturing companies saw assets fall by £30m and liabilities rising by £50m, resulting a reduction in assets of about £20m. The total net fall was therefore about £1.05bn.

The figures are based on a survey of 200 large UK companies. The Department of Industry warned that results might be affected by such things as companies switching be-

tween short, medium and long-term borrowing.

It also warns: "Because of their size, industrial make-up and other factors, these companies may not be representative of industrial and commercial companies as a whole."

The main surge in company liabilities over 1982 came in the form of borrowings from banks and from overseas. There was virtually no change in borrowings from non-bank financial institutions in the UK.

Hamilton Oil profits up 64% in year

By Our Financial Staff

TAXABLE profits of oil and gas exploration and production group Hamilton Oil Great Britain jumped by 64 per cent from £13.17m to £21.54m in 1982, on turnover 88 per cent ahead at £36.52m compared with £20.44m. Earnings per 10p share are given 8.3p higher at 21.2p the year's dividend is maintained at 1p net.

The directors say the bulk of the company's income is drawn from a 28.8 per cent interest in the Argyll field in the British sector of the North Sea. Production during 1982 totalled 7.32m barrels (3.0m barrels in 1981) and was the highest level recorded since 1976. Of the 1982 total, 5.68m barrels came from the Argyll field itself and 1.64m barrels were produced in extended tests on the two discovery wells in the Duncan area to the west of Argyll.

Mr J. W. R. Sutcliffe, managing director, said: "1982 was a good year in the North Sea for us. In block 38/24 we confirmed commercial reserves in the Duncan and East Duncan structures. Another important development was the discovery of additional reserves of gas in the Bunter and in block 43/12a, and we are now working on a development scheme."

The taxable profits were made up of operating profits of £19.97m (£13.17m) and interest income of £2.58m (£3.57m), included a debit of £104,000 (£29,000 credit) for the group's share in the results of limited partnerships.

Setback for W. N. Sharpe

By Our Financial Staff

A DROP OF £87,000 in second-half profit has left W. N. Sharpe Holdings, greeting card maker and publisher, with £4.99m for the year 1982, compared with £5.74m for the whole of the previous year.

The dividend, however, is lifted from 8p to 9p net with a final 5p. Earnings fell by 2.3p per share to 39p.

W. N. SHARPE HOLDINGS

Greetings cards and publisher

Year to Dec 31	1982	1981
Sales	18,19m	15,57m
Pre-tax profit	4,99m	5,74m
Tax	2,43m	2,72m
Attributable profit	2,56m	3,02m
Earnings per share	39p	41.3p
Dividend	9p	8p

Sturge underwriter to join Posgate & Denby

BY JOHN MOORE, CITY CORRESPONDENT

A SENIOR insurance underwriter of R. W. Sturge, one of the most respected underwriting agencies within Lloyd's, is leaving the company to join the Lloyd's insurance activities of Mr Ian Posgate.

A deal was concluded yesterday whereby Mr Michael Baxter, a marine insurance underwriter for R. W. Sturge, which runs one of the largest marine insurance syndicates at Lloyd's, is to leave Sturge and join Posgate & Denby, the underwriting agency where Mr Posgate speaks for around 60 per cent of the equity.

Mr Baxter, who had been with the Sturge agency for about eight years and was a director, is to be allowed a share participation in the Posgate & Denby agency.

Mr Posgate, who has been suspended from underwriting at Lloyd's in the wake of allegations made by Alexander Howden's American owners, Alexander & Alexander Services, said yesterday that the agency had to recruit the best possible people. "While I am suspended the agency obviously has to do something."

Mr Posgate's future as a member of Lloyd's ruling council is expected to be considered on Monday, but so far no move has yet been made to suspend him from the governing bodies at Lloyd's.

Mr Baxter was an underwriter with two syndicates at Sturge - Syndicates 206 and 209 - which accepted business on behalf of around 1,400 members of Lloyd's. The com-

hined insurance capacity of the syndicates was around £48m.

Mr Baxter is expected to be underwriting for syndicates of similar capacity at Posgate & Denby.

Mr David Coleridge, chairman of R. W. Sturge, said yesterday that Mr Michael Maughan, a Sturge executive and underwriter, would be assuming Mr Baxter's responsibilities.

When the troubles broke out around Mr Posgate last September, and it was alleged by the American group that he and four other former Howden executives had misappropriated money from Howden Lloyd's syndicate and insurance companies, Sturge made an approach to take over the Posgate & Denby agency, which was rejected.

Leicester to link with Post Office

BY ALAN FRIEDMAN, BANKING CORRESPONDENT

THE LEICESTER Building Society, Britain's ninth largest in terms of assets, is to link with the Post Office's National Girobank so that customers will be able to make deposits and withdrawals on Leicester accounts at any of the country's 20,000 Post Offices.

Although the full arrangement will not be in place until mid-April, potential investors can now make initial deposits and apply to open accounts at Post Offices. From mid-April the whole package will be functioning and customers will be able to withdraw up to £100 every other day from a nominated Post Office of their choice.

The scheme, says Mr Scott Durward, Leicester's chief general manager, will not conflict with National Savings Bank accounts. Mr Durward says this is because the two are aiming for different market segments.

Mr Durward said yesterday the scheme would give Leicester "19,000 more outlets than any other society in the country and access to

valuable positions in small towns and villages previously unavailable to building societies."

Leicester claims that if it achieves one new account per Post Office each month, this could amount to nearly 250,000 new share accounts in the first year.

Leicester is claiming that, based on an average account of £1,000, the society's assets could increase by £250m in 12 months. The society's assets now total about £2,000m.

In order to open a Leicester account at a Post Office, a customer will complete a Girobank "Transcash" form and receive a passbook. These forms are used for funds transfers from post offices to the Leicester. The minimum investment will be £100; this will provide customers with a Leicester card needed for the accounts.

Mr Durward said one of the attractions of the deal was that it would not cost Leicester a great deal in capital investment. He added, however, that for each transaction at a post office, the building society would pay a fee ranging from 50p up to £1.

Rea Brothers to increase final payout

By Our Financial Staff

MERCHANT Bank Rea Brothers has declared an effective increase in the final dividend for 1982 from 0.7727p per 25p share to 0.8p which improves the net total from an adjusted 1.212p to 1.25p. This follows last year's 13-for-20 scrip issue.

The group profit after tax, and a transfer to minor reserves, improved from £25,000 to £31,000.

The balance sheet total at the end of 1982 came through higher at £171m against £159.31m and included current, deposit and other accounts - including provision for tax and minor reserves - of £146.33m (£133.95m). Loans advances and other accounts moved ahead from £48.43m to £51.43m.

FLEMING ENTERPRISE

Investment Trust

Half-year to Dec 31	1982	1981
Pre-tax revenue	416,734	416,254
Tax	143,856	129,683
Dividend	177.9p	148p

LCA directors propose to reorganise

BY OUR FINANCIAL STAFF

THE directors of London and Continental Advertising Holdings, an Unlisted Securities Market company, propose that the capital be reorganised into 8p shares only. At the moment there are 8p and 20p shares and they consider it would be in the best interests of the company and shareholders if the distinction was brought to an end.

They feel that the division of the

ordinary has been adversely affecting the market in the company's shares.

It is proposed to cancel 12p of each 20p share and reduce them to a nominal value of 8p. The directors recommend the change to shareholders.

They recall that the division arose in August 1979 when 15m of 8p shares were created and issued

against the acquisition of the L & C capital. The nominal value of 8p was fixed because that was the agreed value attributable to the existing 20p shares at that time.

The new shares were issued on the basis that they would rank with the 20p shares in all respects, including dividend and return of capital (on liquidation or otherwise).

Courtaulds to expand carbon fibre output

BY RHYS DAVID

COURTAULDS, the UK fibres, textiles, and plastics to paints group, is determined to maintain its position as Europe's dominant manufacturer of carbon fibres against the challenge about to be mounted by new producers.

So much is clear from the company's announcement that it is to spend some £3m on expanding by 70 per cent its output of the material, used to make very light, high-strength components for the aerospace and other high-technology industries.

The UK company, one of the pioneers of carbon fibre development, already accounts for 90 per cent of European output of the material, demand for which has been growing on average at more than 30 per cent a year in recent years. Courtaulds accounts for 13 per cent of world sales, a figure expected to rise by several percentage points when the new facilities at Coventry come on stream in autumn this year.

Apart from Courtaulds, the other groups dominate world production, and all are engaged in expanding capacity. Toray of Japan, with its US partner Union Carbide, has an estimated 40 per cent of world sales. Toho, also of Japan, and Celanese of the U.S. jointly have 20 per cent, and Hercules of the U.S., which developed its operations in-

der a Courtaulds licence, has 18 per cent.

Two major developments are projected in France - by Pechiney Ugine Kuhlmann (PUK) in association with Hercules, and by Elf Aquitaine and Toray - but neither is likely to be in production before next year.

It is partly to counter the competitive threat posed by these new facilities, and to safeguard its position as the leading supplier of the material to the European aerospace industry, that Courtaulds has decided to go ahead with its own expansion.

The Elf-Toray plan is for a plant producing 300 tonnes a year with PUK and Hercules envisaging output of 200 tonnes a year from their new facilities.

In aerospace, the attraction of carbon fibre reinforced plastic components is the weight, and hence energy, savings that can be achieved. As a result, carbon fibre composite materials have begun to replace some metal components, particularly in military aircraft, and there are forecasts that by 1990 the material could account for as much as half of total aircraft weight in some aircraft being built then.

Aircraft where carbon fibre components have already been used or are part of evaluation exercises, include in the military field the Osprey Tornado, the Jaguar and Har-

rier. In the civil field the new Boeing 757 airliner uses carbon fibre reinforced brakes developed by Dunlop, and the SAAB-Fairchild has Dowty Rotol carbon fibre reinforced propellers.

The Courtaulds development, work on which has already started, will raise the company's capacity from the present 200 tonnes a year - regarded as the minimum break-even level - to 350 tonnes, a figure at which Courtaulds is confident it can begin to make profits for the first time after 15 years nursing the product. Some 15 per cent of the total cost of the scheme is being met by a Government grant under section 8 of the Industry Act, 1972.

As well as enabling it to go on meeting demands from its aircraft industry customers, the new capacity will, according to the chief executive of Courtaulds carbon fibre division, Mr Derek Twoogood, also make it possible for Courtaulds to develop further the range of specialities which come from its five existing lines.

It will also make possible an assault on the U.S., where Courtaulds has been sampling materials with a number of major customers. The UK group, which under the terms of its licence agreement with Hercules has only been able to sell in the U.S. since 1979, is likely to make direct investment in the U.S. its next major step.

Apart from aerospace, the main application for carbon fibre has been in sports goods where it is used widely in ski poles, golf clubs, fishing rods and tennis and squash rackets. The world market stood at 330 tonnes in 1980 rising to 1,751 tonnes last year, and is projected to reach nearly 3,300 tonnes in 1985, according to Courtaulds.

Out of this total, aerospace is expected to account for just under half, sports goods 25 per cent and other uses - in the motor industry, engineering and elsewhere - the remainder.

The U.S. accounts for two thirds of demand, with the rest divided between the Far East and Europe. Courtaulds expansion fits in with its overall policy of developing new areas of business to compensate for the decline in its basic textile areas. The latest development will be highly capital intensive, however, and will result in the addition of only 20 new jobs.

The starting point for Courtaulds carbon fibres is a special "dope" produced at its Grimshy acrylic plant which is then transformed at Coventry into fibres offering very high strength of stiffness, or a combination of both. The fibres then follow a variety of processing routes before emerging as high strength components.

MITCHELL COTTIS

International Engineering, Transportation and Trading

Interim Report for the six months ended 31st December 1982

In past years the results of the first quarter usually have proved to be relatively modest with the real contribution to profits only starting to flow through from the second quarter onwards. This pattern is not being repeated during the current year as the worldwide recession has continued longer and more severely than was expected. These conditions are affecting particularly our South African operations, many of which are closely related to the depressed mining and construction industries.

Consequently, the consolidated profits before taxation for the six months to 31st December 1982 have declined to £2,877,000 compared with £4,324,000 for the corresponding period in 1981.

As a result, however, of the acquisition last year of the real estate subsidiary shareholding in our South African subsidiary, the decline in profits after deduction of taxation and minority interests is minimal.

This acquisition was partly financed by the issue of shares and consequently earnings per share for the half year, calculated on the greater number of shares in issue, show a decrease from 1.47p to 1.17p.

The decline in profits before tax does not portray a general downturn in all our activities but those that performed well, especially the civil engineering and contracting operations in Belgium and the chemical business in the United Kingdom, were unable to compensate for the poor results in other companies involved in engineering.

We are taking a number of steps to reduce our exposure to the more vulnerable engineering activities, particularly in South Africa, but the full benefits of these actions will not be felt until next year.

We have decided to declare the same interim dividend as last year but at this stage it would not be prudent to give a firm indication in respect of the final dividend. This will depend upon the outcome for the current year and upon the results of the assessment of the prospects for 1983/84 which will emerge when we come to prepare our budgets in three months time.

The interim dividend of 1.5 pence per share will be paid on 9th May 1983 to holders of Ordinary Shares on the register at the close of business on 25th March 1983 and, together with the Preference dividends, will absorb £1,095,000 (1981: £1,094,000).

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The decline in profits before tax does not portray a general downturn in all our activities but those that performed well, especially the civil engineering and contracting operations in Belgium and the chemical business in the United Kingdom, were unable to compensate for the poor results in other companies involved in engineering.

Unaudited Interim Results for the six months ended 31st December 1982

	Six months Dec. 1982	Six months Dec. 1981	Year June 1982
	£000s	£000s	£000s
Turnover	205,709	190,563	387,625
Profit before Interest and Taxation	5,702	7,456	16,374
Interest	3,025	3,132	6,638
Profit before Taxation	2,677	4,324	9,736
Taxation	1,814	2,572	5,890
Profit after Taxation	863	1,752	3,846
Minority Interests	6	849	914
Profit before Extraordinary Items	857	903	2,932
Earnings per Share	1.17p	1.47p	4.40p
Extraordinary Items	(544)	2,445	717
Net Attributable Profit	313	3,348	3,649

What price a child's smile

Sally is eight years old, she has never been able to walk and the brain damage she suffered at birth makes it difficult for her to control her movements.

For Sally, operating the lever that propels her wheelchair is a bit of a struggle. In fact it sometimes takes three or four minutes of hard effort to put her hand squarely on the control lever and move the chair.

Writing is difficult for her too. Even with one of our specially adapted electric typewriters, it takes her half an hour to write one sentence.

Yet, despite the frustration of living inside a badly damaged body, Sally has a lively, lovable personality and dearly enjoys a joke. She likes reading and singing too, and she's particularly fond of flowers.

It's hard to believe that when Sally first came to us, she hardly ever spoke and never smiled. As though her handicaps were not enough, Sally had suffered neglect and even violence from her parents. Hardly surprising then, that it took a long time and a lot of gentle, loving care before she gave us her first smile.

Our care knows no limits, but our money does. It costs a lot to run a residential home for severely handicapped children and to provide the specialist care and equipment they need if they are to make progress in spite of their handicaps.

£5 buys a pack of special work cards. £40 buys a set of reading books for children with learning difficulties. And it can cost up to £1,000 to buy a typewriter specially adapted for children who have only limited head, arm or foot movement.

Every £1 you send helps us give children like Sally a future. And it helps even more if you make regular payments by Deed of Covenant (we'll send details on request) because that way we can claim back tax, so every £1 you send is worth £1.43 to us.

Please send what you can today to me, Nicholas Lowe, Appeals Director, Room 380, Dr. Barnardo's, Tanners Lane, Ilford, Essex IG6 1QG. If you prefer to donate by Credit Card, please phone Teletax on 01-200 0200, quoting your card number and Barnardo's Room 380.

The true identities of our children are withheld to avoid distressing publicity.

Dr Barnardo's



ANGLOVAAL LIMITED

Incorporated in the Republic of South Africa



Interim report for the half-year ended 31 December 1982

Financial Results

The unaudited consolidated financial results of the Company and its subsidiaries (excluding the mining subsidiary) are estimated as follows:

Year ended 30 June 1982	Half-Years ended 31 December 1982	1981
1 549 520	Turnover	850 441
172 494	Profit before taxation	78 267
54 225	Taxation	28 626
118 269	Profit after taxation	49 639
69 153	Attributable to outside shareholders of subsidiaries	32 982
49 116		20 731
291	Preference dividends (including fixed portion of participating preference dividends)	145
48 825	Profit attributable to ordinary, "A" ordinary and participating preference shareholders	20 586
1 151 cents	Earnings per ordinary and "A" ordinary share	485 cents
37 711	Capital commitments	44 081

Comparative figures for the half-year to 31 December 1981 have been restated to take account of the increase in the rate of taxation to 46.2 per cent announced subsequent to the publication of the interim report for that period.

Dividends declared or paid during the half-year

Half-yearly dividends on the 5 per cent and 6 per cent preference shares	72	72
Interim dividend of 90 cents per share (1981—90 cents) on the ordinary and "A" ordinary shares	3 210	3 210
Interim dividend on the participating preference shares at a fixed rate of 5 per cent per annum plus a participation of 45 cents per share (1981—45 cents)	750	750

The final dividends on the ordinary, "A" ordinary and participating preference shares which were declared in June 1982 were paid on 30 July 1982.

Investments

The market value of the Company's listed investments at 31 December 1982 was R511 026 000 (1981—R408 143 000) compared with a book value of R103 328 000 (1981—R103 992 000).

General

Demand from those business sectors served by group industries declined. Market shares were generally held but sales volumes fell and turnover increased only marginally. The reduced throughput and intensified competition eroded profit margins and industrial earnings fell by 19 per cent. It is anticipated that industrial earnings for the six months to June 1983 will approximate those of the first half-year.

Income from mining investments was lower than for the same period last year. The improved gold and commodity prices experienced during the past six months should, however, improve income from mining investments during the second half-year.

For and on behalf of the Board
B. E. Herscov, DMS (Chairman)
Clive S. Menell (Deputy Chairman)
Directors

London Secretaries:
Anglo-Transvaal Trustees Limited
295 Regent Street
London W1R 8ST

Registered Office:
Anglovaal House
56 Main Street
Johannesburg 2001

UK COMPANY NEWS

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount paid up	Latest Return Date	1982.5	Stock	Quoting Price	+ or -
Price			High	Low		
112	F.O. 18.5	146	188	Assoc. British Ports	145	0.70 1.6 7.0 15.5
1100	F.O. 22.4	105	100	Br. Kidney Pat. A.A.	105	—
174	F.O. 21.1	155	153	Canvassermoor	153	55.64 2.0 3.9 15.1
174	F.O. 21.1	155	153	Canvassermoor	153	55.64 2.0 3.9 15.1
174	F.O. 21.1	155	153	Canvassermoor	153	55.64 2.0 3.9 15.1
174	F.O. 21.1	155	153	Canvassermoor	153	55.64 2.0 3.9 15.1
174	F.O. 21.1	155	153	Canvassermoor	153	55.64 2.0 3.9 15.1
174	F.O. 21.1	155	153	Canvassermoor	153	55.64 2.0 3.9 15.1
174	F.O. 21.1	155	153	Canvassermoor	153	55.64 2.0 3.9 15.1
174	F.O. 21.1	155	153	Canvassermoor	153	55.64 2.0 3.9 15.1
174	F.O. 21.1	155	153	Canvassermoor	153	55.64 2.0 3.9 15.1

FIXED INTEREST STOCKS

Issue Price	Amount paid up	Latest Return Date	1982.5	Stock	Quoting Price	+ or -
Price			High	Low		
97.504	F.O. 4.3	102	88.4	BOC 1st 1/2% Un. Ln. 2018-17	201.4	—
96.431	F.O. 10.4	21.1	18	Birmingham 11 1/2% Red. 2012	15.4	+1/2
27.153	F.O. 2.5	24.1	24.1	Canvassermoor 7% Red. 2012	18.5	—
—	F.O. 29.7	100	100	Hammerhead 10% 5-17 1/2% 2020	201.4	—
—	—	100	100	Mid Sussex Water 7% Red. 2012	100.0	—
497.174	F.O. 10.2	240	225	Widestillman 11 1/2% Un. Ln. 2027	225.1	+1/4
96.55	F.O. 4.3	22.4	22.4	Yarls & Sons Warrants 21-1	21.1	—

"RIGHTS" OFFERS

Issue Price	Amount paid up	Latest Return Date	1982.5	Stock	Quoting Price	+ or -
Price			High	Low		
250	F.O. 26.2	22.4	217	ACB Research 10p	217	+1/2
81	F.O. 4.3	28.5	14pm	Am Auditronic 2 1/2p	14pm	+1/2
75	F.O. 8.2	9.5	55	40 Clift Oil 8	40	+1/2
165	F.O. 11.3	10.6	20pm	Canvassermoor 7% Red. 2012	18.5	—
90	F.O. 14.1	11.2	72	50 Clift Oil 8	72	+1/2
27	F.O. 21.7	7.4	351	50 Mount Charlotte 10p	351	+1/2
53	F.O. 7.2	81.5	183	40m Rand Lon. Corp. 15c	183	+1/2
60c	F.O. 11.5	21pm	—	—	—	—
55	F.O. 3.2	29.4	490	426 Ultramar	445	+1/2

Remuneration data usually last day for dealing free of stamp duty. b Figures based on prospectus unless otherwise stated. c Dividend rate paid or payable on 100 of capital cover based on dividend as full capital. d Assumed dividend and yield. e Forecast dividend cover based on previous year's earnings. f Dividend and yield based on prospectus or other official estimates for 1983. g Gross. h Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. i Placing price. j Pence unless otherwise indicated. k Issued by tender. l Offered to holders of ordinary shares as a "rights". m Issued by way of capitalisation. n Reintroduced. o Issued in connection with reorganisation merger or takeover. p Introduction. q Issued to former preference holders. r Allotment letters (or fully-paid). s Provisional or partly-paid allotment letters. t With warrants. u Dealings under special rule. v Unlisted Securities Market. w London Listing. x Effective issue price after accretion. y Formerly dealt under special rule.

Laing & Cruickshank

incorporating McAnally, Montgomery & Co

announce that
from Monday, March 7th
their Head Office
will be at:

Piercy House
7 Copthall Avenue
London EC2R 7BE

Telephone number remains
unchanged: 01-588 2800

COMPETITION STEPPED UP FOR PHONE SERVICE CUSTOMERS

Telecom opens network battle

BY GUY DE JONQUIERES

BRITISH TELECOM (BT) yesterday launched a major pre-emptive assault against Mercury Communications, its new, privately owned network competitor, which is due to start operating early next month.

BT's battle plan - presented in London to telecommunications managers from major companies - includes new services and the acceleration and expansion of others which it already offers to business customers.

The services, ranging from high-speed transmission of computer data to the supply of complete private communications networks on a turnkey basis, will be provided by BT's National Networks unit, which was created last summer specifically to compete against Mercury.

Mercury is a joint venture between Cable and Wireless, British Petroleum and Barclays Merchant Bank. It has been licensed by the Government to build an independent national communications network, on which it plans to offer advanced transmission services to large users.

Initially, Mercury will be limited to a microwave system in London, to be extended to Birmingham and Manchester. It plans to build an 800-mile optical-fibre cable system to link major English cities, at a total cost of £50m.

The principle competitive weapons which BT plans to deploy are:

● An expansion of its new Kilo-stream digital private circuit service, which will be extended to 250 exchange sites by the end of this year and to 400 by the end of next year. Individual circuits will be able to carry voice, data and text simultaneously, and BT this year will market a new range of "multiplexers," devices which expand circuit capacity. BT also took the unusual step of naming three large companies - Shell, Whitbread and Ford -

which are already using Kilo-stream.

● Complete private network packages to corporate customers. These will include Local Area Networks, designed to link different places of business equipment in the same building. Two models are being marketed by BT, supplied by Unicom-Bass and Sytek.

● An acceleration of the "packet-switched" data network, which has suffered from early teething troubles. The number of exchanges will increase from 12 to 20 this year, and new services, including electronic mail, are being launched.

● Modernisation of the Telex network and modification of the technical standards for it. This will enable manufacturers to make simple and cheaper Telex terminals.

● Discounts of up to 15 per cent on international leased circuits for selected larger customers. BT said this was part of a new policy to ne-

gotiate bulk discounts to individual large users.

Mercury hopes a sizeable part of its business will be in carrying international communications between Britain and the U.S.

BT's decision to offer Local Area Networks through its Inland Division, which also operates the public telephone system, may prove controversial.

Local Area Networks are widely considered to be a competitive product, whereas BT's Inland Division is chiefly responsible for those areas of business which are not directly affected by the Government programme to liberalise equipment and services.

The Computing Services Association, many of whose members are already offering Local Area Networks on the open market, said it was "surprised" by the way in which BT had chosen to market the systems.

to resources should improve the situation during the second half.

Chorley Engineering (Oil Services) made further progress, particularly in the North Sea, and the full year should see a continuation of the growth of the last few years.

Group results include a first-time contribution from Singapore-based Galliford Serbo and here again, Chorley achieved success in its first year of operation in the part of the world.

The original Singapore activities were affected by a substantial reduction in oil related demand, but ended the period on a sound note.

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Tougher EEC stance
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SECTION III - INTERNATIONAL MARKETS

FINANCIAL TIMES

Friday March 4 1983

WALL STREET

More join ranks of the advance

THE investment community was able yesterday to bask in the warmth of spring weather as well as of the latest batch of economic indicators which all point towards a recovery in the U.S. economy, writes Terry Byland in New York.

Mr Malcolm Baldrige, the Commerce Secretary - who had at first warned against reading too much into the 3.6 per cent jump in his department's index of economic indicators - said yesterday that he expected a "real bounce-back" in the economy with a gross national product growth rate at 4 per cent in the first quarter of this year. This confirms the stock market's view of the outlook, and brought buyers in again.

The Dow Jones industrial average closed three points higher at a further record of 1,138.08, while turnover of some 115m shares again indicated the strength of the rally, although many blue chip gains were pared in the afternoon.

The credit markets, which had been somewhat discouraged by the sharp rise in the Commerce Department index

which suggested that industrial loan demand might soon soar, looked happier after Mr Paul Volcker, chairman of the Federal Reserve, said that further falls in interest rates remain possible without the danger of fuelling inflation anew.

Sturdy investment demand was in evidence for government bonds, with the best gains coming significantly at the longer end of the scale where prices have been depressed by uncertainties regarding the outlook for inflation. The benchmark Treasury 10 1/4 per cent issue of 2012 opened sharply higher at 100 1/2 against the overnight level of 99 1/2. The higher price brought some profit-takers into the market, however, and later quotations settled at around 99 1/2. Three-month Treasury bill rates none the less came down to 7.82 per cent.

Longer-dated government bonds attracted support at first and the benchmark Treasury 10 1/4 per cent issue of 2012 opened at 100 1/2 against the overnight 99 1/2. But buyers then reverted to a more cautious view of inflation and the price came back to around 99 1/2.

The three and six-month Treasury bills, both yielding about 7.94 per cent, held their overnight levels. The federal authorities again recognised tightness of credit with a \$200m bill sale for a customer.

The revival in oil shares continued, with Exxon finding buyers at \$30 and Union Oil strong at \$33 1/2. Motor industry and airline issues saw good trade again and Ford at \$41 1/2, Pan Am at \$54 and Delta at \$47 1/2 were among the better spots.

Growing faith in the recovery in U.S.

industry brought buyers in for all the standard-bearers of heavy manufacturing. Prominent was the aerospace sector, where hopes that the airlines will speed up purchases of new aircraft as business improves lifted Lockheed to \$84 1/2 and McDonnell Douglas to \$68.

Advances by metals and oils in Toronto, although more modest than those of the previous session, held the market firm in the face of recurrent profit-taking in golds. Montreal was again held back by the printing sector.

EUROPE

Durability under the microscope

THE ABILITY of Wall Street to hold above the 1,100 level - together with the cogent U.S. economic reasons for that new plateau - provided a further enhancement in share values on the bourses yesterday, and downswings in individual issues could often be traced to a specific overriding cause.

Late profit-taking in Frankfurt brought shares off their best levels but most still closed firmer as confidence among foreign and domestic investors that the conservative parties would hold on to power at Sunday's general election continued to support prices.

The Commerzbank index, calculated at mid-session, rose 8.7 to 818.4, its highest since January 1979, and the FAZ index reached an all-time high of 272.45, up 1.81.

Zurich benefited from the further recovering in gold and a modest decline in the dollar. Banks opened mostly lower but recovered to close above Wednesday's levels. Insurances turned mixed, while chemicals led industrials higher. Brown Boveri there added SwFr 155 to SwFr 1,155.

A hectic Amsterdam exchange showed Unilever Ft 1.90 ahead at Ft 194 and Akzo the same amount higher at Ft 48.80. In banks ABN opened Ft 9 up but fell back in active trade to Ft 352, up Ft 5 on the day, ahead of an earnings report due today.

The busiest sector was insurances, with Ennia rising Ft 6.50 to Ft 140.50 while Amev was Ft 4.70 higher at Ft 124. Government bonds moved higher.

An almost unimpeded bull trend in heavy Stockholm trading took SKF SKr 7 up to close at SKr 183 on some 100,000 shares, while Atlas Copco gained SKr 3 to SKr 137.

Banks and financials moved higher in Paris, as did foods where BSN Gervais Danone rose FFr 18 to FFr 1,465, but stores were mixed.

Steel and related stocks gained strongly in Brussels with Clabecq up BFr 44 to BFr 798 and arms maker Fabrique Nationale BFr 100 to BFr 2,800. Arbed continued its upswing, gaining BFr 46 to BFr 1,258 and wire maker Bekaert steadied at BFr 2,250. Holding company stocks also performed well, but chemicals and non-ferrous metals were mixed.

Fiat gained L100 to L2,519 in a firmer-biased Milan, but Italcementi lost L1,250 to L37,450. Bonds were also selectively firmer in fairly active trading.

Most Madrid sectors firmed in thin trading. Banks were led Pta 5 upward by Bilbao at Pta 217. Dealers said the tone reflected confidence in the Government's takeover of the troubled Rumasa holding group.

FAR EAST

Winds of change fail to carry

THE BREEZY confidence presently gusting from Wall Street failed to carry across the Pacific yesterday, and Far Eastern markets were uniformly becalmed. Blue chips with substantial international involvements were the only beneficiaries, and gains even there lacked consistency.

Shipping lines and chemicals were among those to lose ground in Tokyo, where the Nikkei-Dow Jones market average dipped 8.28 to 8,005.02 but the Stock Exchange index managed a 0.92 improvement to 588.31. Volume remained thin at 310m shares.

Japan Line lost Y11 to Y159, heading the actives on 22.23m shares, while Sanko Steamship shed Y7 to Y188, also in active dealings.

Sony succeeded in a Y30 advance to Y3,150 and TDK Y100 to Y4,250, but Mitsubishi Heavy Industries came back Y3 to Y215 and Nomura Y10 to Y863. One broker attributed the lack of sustained buoyancy to the failure of volume to hold up along with price firmness.

Another distressing element was a selling spree in non-ferrous metals, led Y46 downward by Mitsui Mining and Smelting at Y540 despite its gold interests - gold shares generally held up better yesterday on the stabilising bullion price.

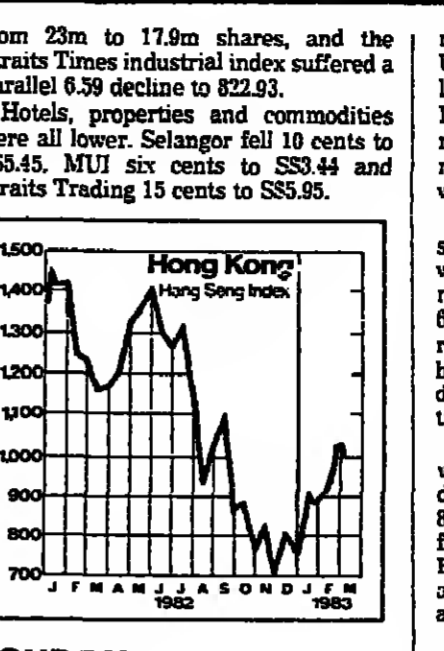
Daiwa House reaped further benefit from an increase in housing starts the previous day, adding an active Y9 to Y529.

Government bond prices weakened slightly during the afternoon.

Late short-covering in Hong Kong took the edge off early losses but none the less left the Hang Seng index a sharp 25.38 lower at 1,002.74 after dipping as low as 994.80. Speculative selling of Great Eagle received much of the blame; the stock ended 10 cents down at 60 cents for a two-day slide of 18 cents.

Volume contracted in Singapore, too, from 23m to 17.9m shares, and the Straits Times industrial index suffered a parallel 6.59 decline to 822.93.

Hotels, properties and commodities were all lower. Selangor fell 10 cents to S\$5.45, MUI six cents to S\$3.44 and Straits Trading 15 cents to S\$5.95.



LONDON

Pre-budget bounce is prominent

MANY London shares reached new high points as confidence about the world economic increased after Wednesday's U.S. indicators had confirmed that the recovery there was improving at a rate faster than had seemed likely a short time ago. This was the principal, but not the only, bullish pointer for the industrials yesterday.

Predictions of a favourable UK budget, due on March 15, the sharp rise so far this year in private housing starts and continuing optimism that a world oil price war will be avoided also contributed to the cheerful tone. The early announcement that the miners are to ballot nationwide next Tuesday, thus postponing Monday's threatened strike, was also encouraging.

Institutional investors concentrated funds on areas thought likely to benefit from the budget. These included store, construction and building issues. Invest-

ment trusts and particularly those with U.S. involvements were also active, reflecting the current boom in New York. Indicating the selective nature of investment, however, some industrial sectors met with two-way trade while others were neglected.

Hopes that the FT Industrial Ordinary share index would surpass its record were not quite fulfilled, although this measure closed another 10 points up at 661.8, less than a point short of the February 11 all-time high of 662.5. The broader-based FT-Actuaries all-share index similarly settled just below its all-time peak.

The investment trusts closed with widespread gains throughout the list. Independent stood out with a fresh rise of 8p to 284p, while others with U.S. portfolios to show to advantage included Fleming American, also 8p to the good at 284p, and Edinburgh American, 8p up at 184p.

Hopes that the budget proposals will lead to a marked increase in consumer spending resulted in substantial gains for selected retailers. Woolworth, benefiting from the prospect of further rationalisation of non-profit making divisions, advanced 17p to a peak of 257p. The announcement that the current bids for UDS will not be referred to the Monopolies Commission lifted its stock 4p to 120p after 122p. Hanson Trust which now holds 7 per cent of UDS, eased the same amount to 196p.

A marked contraction in the volume of business in South African golds followed a session of relative inactivity in the bullion market. Dealers reported turnover in the golds down to around a third of recent levels. Leading heavyweights were erratic. Vaal Reefs dipped 2 1/2 to 671 1/2.

South African financials generally made progress while firm UK equities, relatively steady metal prices and a stock shortage enabled London financials to post modest gains. Gold Fields and RTZ added 4p apiece at the common price of 507p.

Australians were featured by recent high-flyer Acorn Securities, which dropped 12p to 132p, reflecting a withdrawal of U.S. support coupled with local profit-taking. The leaders gained ground at the outset but fell back on profit-taking to end with little overall change. Share information service, Pages 30-31

KEY MARKET MONITORS				
Frankfurt Commerzbank				
End Month Figures	1978	1979	1980	1981
Dec. 1982-100	660	700	750	800
Paris CAC General				
End Month Figures	1978	1979	1980	1981
Dec. 1982-100	60	80	100	120
FT-Industrial Ordinary Index (30-Share)				
End Month Figures	1978	1979	1980	1981
Dec. 1982-100	600	700	800	900
STOCK MARKET INDICES				
NEW YORK				
DJ Industrials	1138.08	1135.06	1135.06	1135.06
DJ Transport	508.50	506.72	506.72	506.72
DJ Utilities	128.84	127.77	127.77	127.77
S&P Composite	153.48	152.03	152.03	152.03
LONDON				
FT All-Ord	661.8	661.8	661.8	661.8
FT-A 500	410.21	406.08	406.08	406.08
FT-A 100	444.12	438.91	438.91	438.91
FT-A Ind	419.33	414.58	414.58	414.58
FT Govt bonds	624.1	627.7	627.7	627.7
FT Govt secs	79.78	79.34	79.34	79.34
TOKYO				
Nikkei-Dow	8005.02	8013.30	8013.30	8013.30
Tokyo SE	588.31	588.30	588.30	588.30
AUSTRALIA				
All-Ord	508.0	500.2	500.2	500.2
Metals & Mins.	459.3	450.6	450.6	450.6
AUSTRIA				
Credit Aktien	49.52	49.38	49.38	49.38
BELGIUM				
Belgian SE	108.13	108.02	108.02	108.02
CANADA				
Toronto Composite	2165.0	2157.1	2157.1	2157.1
MONTECARLO				
Industrials	366.37	363.36	363.36	363.36
Combined	359.62	358.20	358.20	358.20
DENMARK				
Copenhagen SE	119.51	117.81	117.81	117.81
FRANCE				
CAC Gen	106.6	107.9	107.9	107.9
Ind. Tendance	113.8	112.9	112.9	112.9
WEST GERMANY				
FAZ-Aktien	272.45	270.94	270.94	270.94
Commerzbank	818.4	811.7	811.7	811.7
HONG KONG				
Hang Seng	1002.74	1028.12	1028.12	1028.12
ITALY				
Banca Compt.	199.83	197.67	197.67	197.67
NETHERLANDS				
ANP-CBS Gen	114.2	112.8	112.8	112.8
ANP-CBS Ind	100.3	98.5	98.5	98.5
NORWAY				
Oslo SE	143.03	132.11	132.11	132.11
SINGAPORE				
Straits Times	822.93	829.52	829.52	829.52
SOUTH AFRICA				
Gold	836.9	883.5	883.5	883.5
Industrial	824.9	821.5	821.5	821.5
SPAIN				
Madrid SE	104.34	103.91	103.91	103.91
SWEDEN				
J & P	1284.28	1270.10	1270.10	1270.10
SWITZERLAND				
Swiss Bank Ind	315.5	310.3	310.3	310.3
GOLD (per ounce)				
London	\$430.00	\$427.50	\$427.50	\$427.50
Frankfurt	\$429.50	\$429.00	\$429.00	\$429.00
Zurich	\$429.50	\$429.00	\$429.00	\$429.00
Paris	\$438.18	\$438.80	\$438.80	\$438.80
New York futures (March)	\$430.30	\$433.50	\$433.50	\$433.50

AUSTRALIA

Broad advance

RESOURCE issues gains lifted Sydney prices across the board, where advance outnumbers declines by a ratio of three to one.

BHP gained 18 cents to A\$8.48 and North Broken Hill 17 cents to A\$2.45, while developers and contractors recorded substantial advances among the industrials. Banks and retailers did well, too, with a rise of 15 cents for ANZ at A\$3.55 and a two-cent recovery for Myer at A\$1.32.

A thin Melbourne market GMK and Poseidon both held steady at A\$9.60 and A\$4.50 respectively.

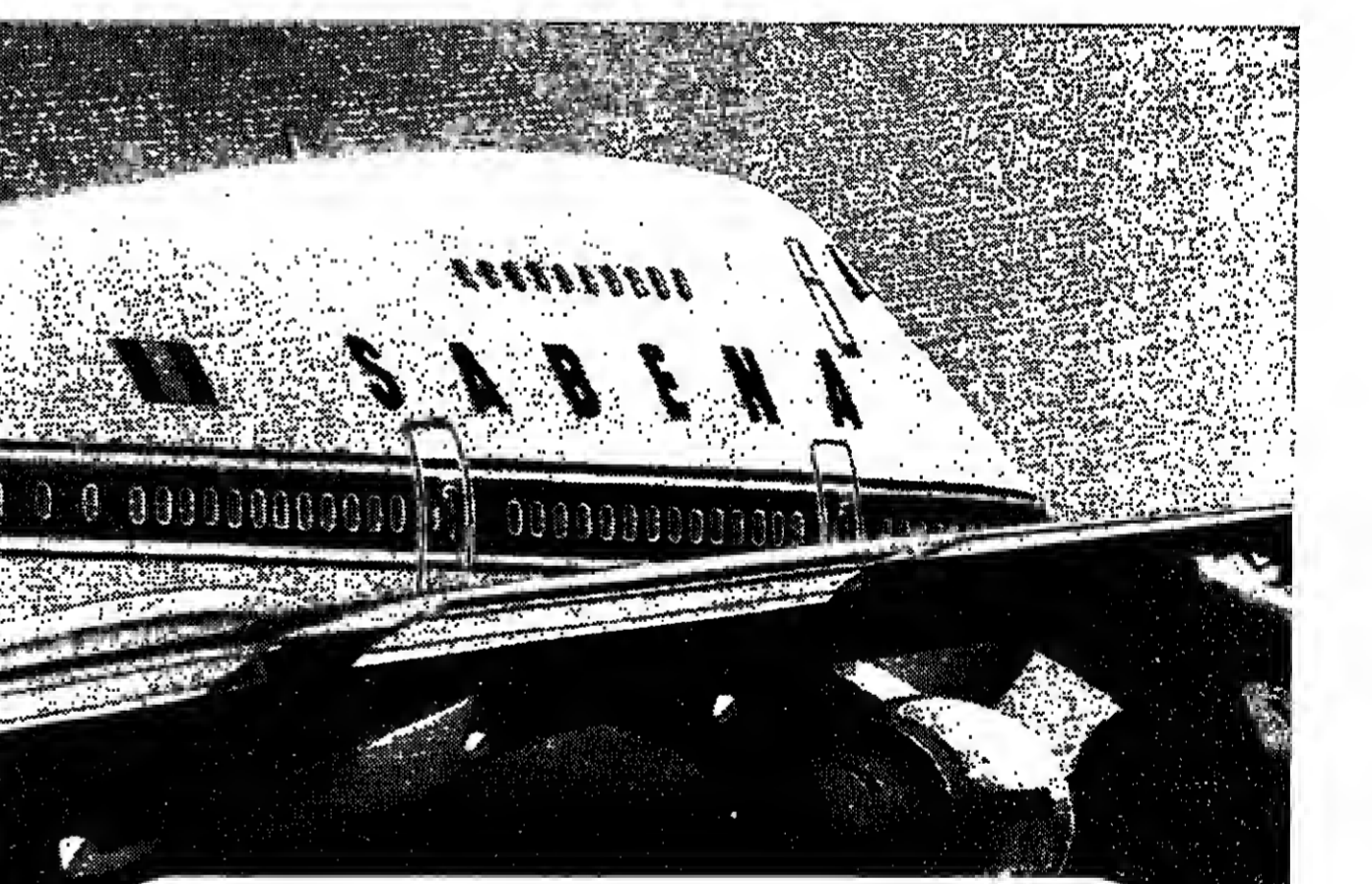
SOUTH AFRICA

Muted mood

A NARROWLY mixed picture emerged in Johannesburg golds as local and overseas profit-taking eroded a firmer tone towards the close.

Of the heavyweight producers Southvaal added R1.50 to R88.50 but Harmony fell a rand to R24. Rustenburg Platinum was notable for a 25-cent advance to R7.05.

A two-point cut in prime lending rates by leading banks failed immediately to stimulate industrials, which traded quietly and finished trendless.



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a-dividend=0, stock extrinsic; b-normal rate of dividend paid
stock dividend; c-liquidating dividend id-called d-zero new-year
low, e-dividend declared or paid in preceding 12 months; g-div
dividend in Canadian funds, subject to 15% non-residence tax; h-
paid this year, omitted, deferred, or no action taken at latest date
of payment; i-dividend in arrears for one year; j-dividend in ar
relative losses; with dividends in arrears n years; k-dividend in
past 52 weeks. The high-low range begins with the start of tran
red-net sale day average; P/E-income-earnings ratio; e-dividend
in arrears for one year; f-dividend in arrears for two years; g-
stock split; Dividends begin with date of split; s-sales; t-div
dividend paid in stock in preceding 12 months; estimated sales
for next year; u-dividend in arrears for more than one year;
v-trading halted; w-in bankruptcy or receivership or being re
organized under the Bankruptcy Act; or securities assumed by
Successors; x-dividend or interest; y-dividend or interest; z-
with warrants; a-x-dividend or ex-rights; wde-sale in distribut
without warrants; a-x-dividend and sales in dist.; yd-yield

COMMODITIES AND AGRICULTURE

Tougher EC exports stance urged

BY LARRY KLINGER IN BRUSSELS

EUROPEAN producers and exporters stepped up their campaign to persuade the European Community to adopt an aggressive export drive to counter the Reagan Administration's increasing efforts to export America's growing agricultural surplus. Both the European Community and the American Association of Exporters, which is the main lobby for the U.S. to limit EEC exports in return for U.S. commitments to lessen its subsidies to competition on world markets.

For this reason alone, the commission must openly declare that it is prepared to meet U.S. threats in this market place. Cereals, in a letter to M. Gaston Thorne, commission president, attacked the commission's "incomprehensible policy" of "incomprehensible" level of EEC export subsidies, virtually since October. Without a quick increase, potential sales to the Middle East and Africa might fall through, leaving further traditional EEC markets vulnerable to U.S. penetration. EEC leaders are now trying

to relaunch talks with the U.S. to try to avert a possible costly agricultural surplus on both sides of the Atlantic seeking outlets in static or even shrinking world markets. The obvious fear among the EEC's food producers is that a successful rapprochement between the two sides could effectively limit EEC sales, even to traditional markets. EEC millers fear that the recession-hit EEC, politically unable to commit sufficient financial resources to meet the U.S. challenge, might capitulate to potential American demands for a market-sharing arrangement that would reverse EEC sales in what the Community sees as its traditional markets. The millers' association said

yesterday that the commission had recently shown "excessive moderation" compared with the U.S. administration's "aggressive stance". In Washington the Senate agriculture committee authorised the use of up to 1.5m tonnes of wheat from the food security wheat reserve for an export payment-in-kind (PIK) programme. The committee approved the use of the wheat as a provision of a bill establishing an export PIK programme under which surplus government-controlled stocks will be used to provide "bonuses" to customers. The committee approved a provision in the bill authorising the use of Commodity Credit Corporation commodities to be used for strategic and critical materials.

Floods and cyclones batter Australia

By Michael Thompson-Niel in Sydney

THE CYCLONES which have been battering Queensland and Western Australia are doing little to ease the country's worst-ever drought. However, prospects for sugar, grain and cattle have improved slightly in Western Queensland where Cyclone Eloise is dumping torrential rains. Flooding in South Australia is now spreading into Western Victoria.

EUROPEAN COMMUNITY limits on tropical imports are based on incorrect assumptions, says the Dutch grain trade association, and these limits will not result in more EEC cereals being used in compound feed.

THE IVORY Coast must keep the country green or risk abandoning it to savannah and the southward drift of the Sahara, says a Dutch cereal expert, Roger Louchet, who has been inspecting bush fire damage in the area.

THE international Sea Shepherds conservation group has warned that it will ram the first sealing vessel to leave St John's Harbour, Newfoundland, on its way to take part in the seal cull. A SURVEY is to be undertaken in rural areas of West Java to determine the role of livestock in Indonesian energy consumption.

RED MEAT and poultry production this year in 23 selected countries is expected to be virtually unchanged to 1982, compared with 104.8m tonnes last year, says the U.S. Department of Agriculture.

SUSSEX wine producer David Carr Taylor will be selling wine in Paris next week. This is the first time English wine has been exhibited commercially at the French Agricultural Show.

This little piggy went to market, this little piggy stayed at home

Farmer's viewpoint: John Cherrington

bemoans the gulf that divides farmers and shoppers

THE MOST significant fact to impress me when visiting the British International Food Drink Exhibition at Olympia this week, was the almost complete absence of the two interests most closely concerned in the food chain: farmers who produce the basic raw materials and the consumers.

This is extraordinary. How can farmers, know what shoppers really want when there is an iron curtain of processing and distributing agencies between us?

The exhibition is restricted to trade interests. A farmer might have talked his way in but the general public is not wanted. The exhibition is a private meeting place where buyers and sellers can deal in confidence and quiet. I can appreciate the need for privacy but other shows seem to be able to manage and even enjoy the presence of the public.

For instance, next week's Agricultural Show in Paris includes an enormous food hall through which up to a million people will pass. They will file. They can taste the range of foods and drinks on show. This has to be paid for but it does give the public an idea of where food comes from and an insight into the production of a particular product from shopkeepers. I can imagine the objections to the public being allowed

into Olympia have much to do with keeping quiet the mechanics of the food distributive trade. None of those handling farm produce from the field to the table would welcome any prying into margins and availability.

It is important. How can a shopper know what is available in the country when their judgements are based on one or other of the chains chosen to put on sale? In a perfect world they could see and taste a food and demand it by name.

It was the first outing for the "Naturally British" campaign following the launch of Food From Britain a few days ago. There had been a similar presentation in Paris before Christmas.

The exhibition is notable for the number of quite small processors, some even on a farm scale, and a large foreign contingent. It struck me that in previous years the British edge, the British don't seem to be able to make cooked meats look as glamorous as the

French. Indeed, I only managed to find one British pig, and that was hidden on a stand of continental imports. It is extraordinary that one of our leading meat exporters, meat from culled sows and cubs, goes to the Continent for processing, to be returned as "exotic foods", which such goods not be made here? What is wrong with the British food manufacturing trade?

The prices British manufacturers have to pay now are roughly the same as those on the Continent. Could it be that most units are too big? That they over-allocate to a "flexibility"? Obviously the small operators - semi-processors of food - felt they were being inordinately squeezed by the big manufacturers and ground down by the major retailing organisations.

I have a long experience of such complaints and felt it was just retribution that some of the organisations that used to make farmers squall are squalling in their turn. Would long processing be more able to compete with the Europeans if smaller, more flexible organisations replaced the giants in this field? As I understand it, most European food processors are small units. Big is not necessarily better and Cricketer could be setting a trend.

Silver sales 'may affect defence needs'

WASHINGTON - The U.S. should consider all defence-related uses of silver before making a decision on resuming silver sales from the U.S. stockpile, the General Accounting Office (GAO) said in a report.

It said estimates of the stockpile silver target did not reflect all possible defence-related uses of the metal. Such uses include silver in weapons, foreign troops and workers, and providing silver to allies during war time, it said.

GAO also said alternatives to the stockpile silver sales should be considered, since sale by auction might not be in line with Congressional goals, which were to minimise or eliminate any short-term market price disruptions and ensure the silver would be used for domestic consumption. Agencies.

Co-op members dismiss chairman of Ess-Food

BY HILARY BARNES IN COPENHAGEN

THE 16 Danish co-operative food stores which own Ess-Food, the powerful marketing organisation, yesterday dismissed its chairman Mr J. Espersen (who is ex-officio chairman of Ess-Food). Delegates to the annual meeting of the slaughterhouse organisation blamed Mr Espersen for the withdrawal from Ess-Food of two of the biggest slaughterhouses and the threatened withdrawal of a third.

The three account for about 25 per cent of all pigs slaughtered in Denmark. Their withdrawal will have a serious effect on Ess-Food's strong market position, especially in the UK where Ess-Food has a monopoly on the export of all cuts in excess of 3 kg. Mr Espersen has a powerful personality and does not suffer fools gladly, as a delegate put it.

FMF wants more help for home market

By Our Commodities Staff

BRITAIN'S FOOD manufacturers want Government action to protect the home market against subsidised imports, bigger subsidies to help them export their products outside the EEC, and easier access into the community for product ingredients.

These were the main items raised by the Food Manufacturers' Federation in a submission to the House of Lords select committee on the European Communities.

The Federation said it was concerned about increased imports of frozen chips, processed vegetable oils, margarine and pasta products from other EEC countries.

Current rates, economies of scale, climatic advantages and proximity of resources had encouraged this trend.

PRICE CHANGES

In tonnes	Mar. 3	+ or -	Month
Aluminium	2310/2315	-	2300/2310
Copper	2110/2115	-	2100/2110
Gold	210/215	-	205/210
Iron	210/215	-	205/210
Lead	210/215	-	205/210
Nickel	210/215	-	205/210
Platinum	210/215	-	205/210
Silver	210/215	-	205/210
Steel	210/215	-	205/210
Wool	210/215	-	205/210

BRITISH COMMODITY MARKETS

BASE METALS	Mar. 3	+ or -	Month
Aluminium	2310/2315	-	2300/2310
Copper	2110/2115	-	2100/2110
Gold	210/215	-	205/210
Iron	210/215	-	205/210
Lead	210/215	-	205/210
Nickel	210/215	-	205/210
Platinum	210/215	-	205/210
Silver	210/215	-	205/210
Steel	210/215	-	205/210
Wool	210/215	-	205/210

POTATOES

Prices fell in line with earlier Dutch markets, but further softening in the UK market was reported by the Potato Marketing Board.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

RUBBER

The London physical market opened at a low level, but prices rose slightly in the afternoon.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

COCOA

Prices were steady in the morning, but fell in the afternoon.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

COTTON

LIVERPOOL - Spot and shipment sales amounted to 721 tonnes. Most transactions were for upland cotton.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

MEAT/FISH

MEAT PRICES - Average lamb carcasses at 100 lb live weight, 100 lb carcass, 100 lb carcass.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

INDICES

FINANCIAL TIMES - March 3, 1983. The FTSE 100 index closed at 1,000.00.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

REUTERS

March 3, 1983. The Reuters index closed at 1,000.00.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

MOODY'S

March 3, 1983. The Moody's index closed at 1,000.00.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

DOW JONES

March 3, 1983. The Dow Jones index closed at 1,000.00.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

GRAPES

Prices were steady in the morning, but fell in the afternoon.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

SUGAR

Prices were steady in the morning, but fell in the afternoon.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

WHEAT

Prices were steady in the morning, but fell in the afternoon.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

BARLEY

Prices were steady in the morning, but fell in the afternoon.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

WHEAT

Prices were steady in the morning, but fell in the afternoon.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

WHEAT

Prices were steady in the morning, but fell in the afternoon.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

NEW YORK

The Opec meeting in London concluded with a statement by the Saudi Arabians that they would not increase production.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

COCOA

Prices were steady in the morning, but fell in the afternoon.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

COFFEE

Prices were steady in the morning, but fell in the afternoon.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

CHICAGO

Prices were steady in the morning, but fell in the afternoon.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

LIVE CATTLE

Prices were steady in the morning, but fell in the afternoon.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

LIVE HOGS

Prices were steady in the morning, but fell in the afternoon.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

SOYABEANS

Prices were steady in the morning, but fell in the afternoon.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

WHEAT

Prices were steady in the morning, but fell in the afternoon.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

WHEAT

Prices were steady in the morning, but fell in the afternoon.

Month	Previous	Business	Done
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May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

WHEAT

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May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	69.50	70.00	69.50

WHEAT

Prices were steady in the morning, but fell in the afternoon.

Month	Previous	Business	Done
Apr.	69.50	70.00	69.50
May	69.50	70.00	69.50
Jun.	69.50	70.00	69.50
Jul.	6		

